UNITE
STUDENTS

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Home for Success

The Unite Group PLC
Annual report and accounts 2018

HOME FOR SUCCESS

Our purpose

We are driven by a common purpose – creating a Home for Success for our students. For us, that's making the best home for all students, helping them grow and succeed at University and beyond.

We deliver this through having the best people, the best service and best properties, and working in line with our values.

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The best home

We use our unique insight and experience to deliver quality, secure homes where students can develop academically *and socially and feel at home.*

Going to University is an exciting time but the big changes that moving to University brings can be stressful. We design our homes and services to ensure the transition is as smooth as possible. Our research shows that students who feel well integrated into their new environment are better equipped to manage *the changes University brings and* are able to get the most from it.

For all students

A University education represents a significant investment in a person's future, but it also represents a significant financial investment. *We believe no one should be denied* a University education because of their personal circumstances.

We offer a variety of accommodation at different price points and with different payment options enabling students to choose the right accommodation for them. We also support the Unite Foundation, which provides accommodation *scholarships to people who have* been in care or are estranged from their families.

Helping them grow *and succeed*

University is where students build the foundation of their future careers. We believe we have an important role in helping them achieve this.

The interpersonal and self management skills honed at University provide a critical bridge to adulthood. We aim to create a *safe and secure environment that* is both caring and supportive, but allows our students to develop their independence.

At University and beyond

We believe that where a student lives has a material impact on their academic and social experience of University, and ultimately, their lives.

Through our people, our service and our properties, we are constantly looking for new and *better ways to support students* to become well-equipped individuals, ready for life beyond University. We regularly measure how well we are meeting student needs through customer surveys and focus groups.

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OPERATIONAL AND FINANCIAL HIGHLIGHTS

Strong financial position

Earnings growth underpinned by portfolio and income quality, development pipeline, University partnerships and operating efficiency

Record level of reservations for 19/20 academic year supports rental growth outlook

Significant progress with University partnerships

Earnings per share [2] pence
34.1p

Graph deleted

Dividend per share pence
29.0p

Graph deleted

Total accounting return* %
13%

Graph deleted

Profit before tax £m
£246m

Graph deleted

Net asset value[1] pence per share
790p

Graph deleted

Loan-to-value ratio* %
29%

Graph deleted

Employee effectiveness %
75%

Read more about **Our Key Performance Indicators on pages 22 and 23**

Customer satisfaction
83

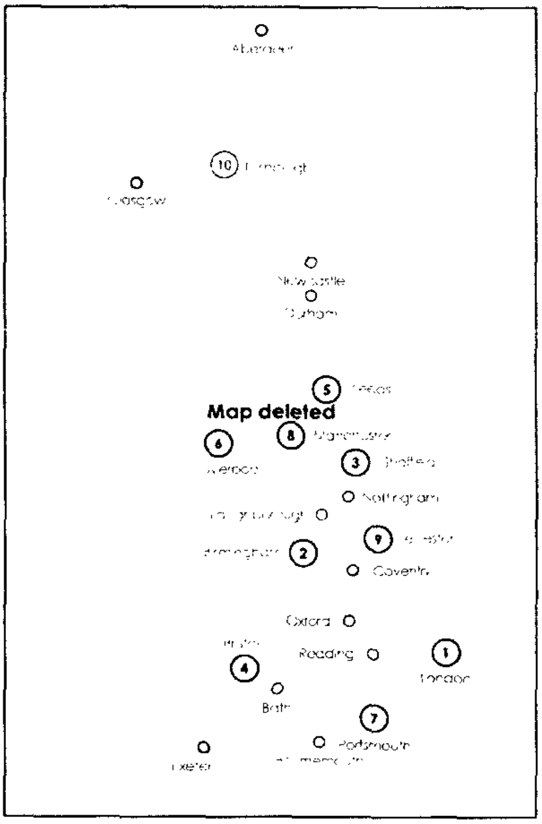
Graph deleted

[illegible] **the European Public Real Estate** [illegible] **(EPRA) best** [illegible] **these performance measures are** [illegible] **intended to help users** [illegible] **the comparability of these results** [illegible] **companies** [illegible] **The metrics are** [illegible]

2 [illegible] based on adjusted EPRA earnings [illegible] note 2.2 of the financial statements.

* [illegible]

Building quality nationwide



Our investment strategy

Having the right properties, in the right locations, aligned with the best Universities ensures we deliver for our students, universities and our shareholders.

Read more about **Investment strategy on page 12**

90%

of our portfolio is aligned to mid- to high-ranking Universities

Our top 10 cities

		[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4	[illegible]	[illegible]	[illegible]	[illegible]
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[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	Total	**36,292**	**792,025**	**4.6%**
	[illegible]	[illegible]		

New openings

2018

3,074

new beds

Newgate Court, Newcastle (Wholly owned) 575 beds

Brunel House, Bristol (Wholly owned) 246 beds

Chaucer House, Portsmouth (Wholly owned) 484 beds

St Vincent's Place, Sheffield (Wholly owned) 598 beds

Staniforth House, Birmingham (Wholly owned) 586 beds

Rushford Court, Durham (USAF) 363 beds

Houghall Court, Durham (USAF) 222 beds

Our property pipeline

Year	Beds	Properties
2019	2,390 beds	Horizon Heights, Liverpool (Wholly owned) 1,085 beds; Parade Green, Oxford (Wholly owned) 887 beds; Battery Park, Birmingham (USAF) 418 beds
2020	2,209 beds	White Rose View, Leeds (Wholly owned) 928 beds; Artisan Heights, Manchester (Wholly owned) 603 beds; First Way, London (Wholly owned) 678 beds
2021	1,330 beds	Old BRI, Bristol (Wholly owned) 370 beds; Middlesex Street, London (Wholly owned) 960 beds
2022	650 beds	Temple Quay, Bristol (Wholly owned) 650 beds

Read more about Property review on page 36

What makes us different

Our quality properties and unique University relationships, supported by highly-trained people, using a tailor made service platform set us apart from the competition.

Read more about **What makes us different on pages 08 and 09**

Environmental, social impact and governance

Being a responsible business is central to everything we do at Unite students.

Read more about **Environment, social impact and governance on page 46**

Our operating platform

Our operating platform continues to improve customer service and develop further efficiencies through:

Our people
Highly engaged, customer centric teams, with greater levels of ownership and accountability

Our scale
c.50,000
beds creates central efficiency

Our technology
PRISM enabled efficiencies, self serve and enhanced digital services

Our values and culture

It's not just about what we do, it's how we do it. Our values and culture make Unite a great place to work.

Work together
Be better
Do what's right
See it through
Have fun

Read more about **Our values on pages 08 and 09**

Enhanced portfolio

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3,074 beds

Seven new student residences opened in September in Birmingham, Bristol, Durham (two properties), Newcastle, Portsmouth and Sheffield. Beds are fully let to students attending mid- to high-ranking Universities.

52%

of these beds are secured on nomination agreements with an average life of 10 years

Image deleted

£85m

Disposal of 14 properties, comprising 3,436 beds for £180.5 million (Unite share: £85 million) completed in September 2018.

60%

improvement in TRI*M (our customer satisfaction measure) since 2014, from 52 to 83

Further progress on strategy to deliver ongoing growth through partnerships with Universities, with successful off-campus University partnerships in London and Oxford

60%

of beds now under nomination agreements.

10+

Active discussions with 10+ Universities

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Strengthened University partnerships

[illegible]8-bed building opening in 2019 fully nominated to Oxford Brookes University on 25 year deal; extends partnership with Oxford Brookes University to 1,350 beds

Digital improvements

In 2018 we launched online check in functionality to get students settled in as quickly and seamlessly as possible. 53% of our students used the feature and we will roll it out more widely this year. We also improved the content of our digital welcome guides on our student site 'The Common Room', with 84% of our students accessing them before arrival.

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CHAIRMAN'S LETTER

The business has continued to make excellent progress in 2018, delivering across all of our key metrics.

Board priorities

- Deepening our University partnerships
- Continually improving our customer service
- High-quality portfolio aligned to the strongest Universities
- Investing in recruiting, retaining and developing quality people
- Focusing on long-term sustainable earnings growth.

⊕ Read more about **Building on our core principles on page 20**

The business has continued to make excellent progress in 2018, delivering across all of our key metrics. Our sector leading brand and our positive reputation with customers and Universities, based around valued customer service, underpins this performance. The combination of our brand, relationships with high quality Universities and property portfolio *is difficult to replicate and is driving sustainable* growth in our earnings.

Financial performance has again been strong, with a total accounting return of 13% and growth in EPRA earnings, up 25% to £88.4 million. Profit before tax was £245.8 million, which includes property revaluations and the impact of disposals of £153.6 million (2017: £229.4 million and £169.2 million respectively). As a result of this performance, we are proposing a final dividend of 19.5p to deliver a total dividend of 29.0p for the full year, an increase of 28% year-on-year.

Unite Students is a service brand and the strong performance we have delivered for our customers, University partners and shareholders is only possible because of the talent and hard work of our teams across the business. On behalf of the Board, I would like to thank them for another excellent year. Richard Simpson stepped down in May as our Group Property Director to take up the role of Chief Executive Officer of Walker Jones plc. We have also taken the opportunity to appoint Richard Akers and Ilaria del Beato as additional Non-Executive Directors in September and December respectively.

The recent success of the business is founded on a consistent strategy and we will continue to focus on delivering its main objectives: providing great services that our students and University partners value; delivering quality buildings designed around student needs; and generating high-quality recurring earnings and maintaining a strong capital structure.

The outlook for our market remains positive reflecting the strength of the world-renowned UK Higher Education sector, increasing participation rates, the internationalisation of Higher Education and the shortage of housing in the UK. Whilst the Higher Education Funding Review, together with the ongoing Brexit negotiations and political landscape in the UK, present a backdrop of some uncertainty; the Higher Education sector fundamentals, together with our high quality portfolio, University relationships and market-leading operating platform, provide a resilient platform for continued growth.

Phil White
Chairman
27 February 2019

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DELIVERING FOR OUR STUDENTS

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We have a deep understanding of students through our rich research and insight programme, and 28 years of experience.

This has helped us build our student proposition and crystallise it into our 3 brand promises which when delivered, create Home for Success.

Getting settled in – we know the transition to independent living is a huge leap for students, so we want to make that process as smooth as possible

Feeling safe and secure – you can't feel at home without feeling safe, so we know how important this is for our students and make safety and security our top priority

Knowing someone's there if you need them – part of feeling safe and secure is our students knowing they can rely on us when they really need support

53%

of our students checked in online in 2018, using the new functionality of our MyUnite app. This means we can help our students get settled in almost as soon as they arrive so they can focus on making the most of their university experience

Image deleted

84%

Our recently introduced digital platform for the booking, scheduling and monitoring of maintenance requests helped our Estates team deliver a first-time fix within 24 hours in 84% of cases, making sure we are there when our students need us, and they feel safe and secure

Strategic report p01–51
Corporate governance p52–99
Financial statements p100–155
Other information p156–160

UNDERSTANDING OUR STAKEHOLDERS

We take great care to remain a responsible business. We actively listen to the views of our students, University partners, employees and investors to create a positive impact within the communities where we operate. It's important for us to maintain this engagement to ensure we continue to grow with their support.

Why it's important to engage

Universities

Our goal is to be the partner of choice to the strongest Universities. It is key that Universities understand how our Home for Success purpose aligns with their own ambitions for their students. Quality properties in the best locations, along with our enhanced service, are an asset to Universities and can make them a more attractive option to students.

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Students

We are experts when it comes to understanding students, engaging with c.50,000 each year across the UK, coming from all over the world. We know their needs and use our unique research and insights as leverage to provide them with a living environment that helps them to get the best out of their time at University. We call this offer Home for Success.

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Investors

We aim to show transparent, clear and balanced communications, allowing investors to best understand our business and strategy, and how we deliver long term shareholder value through earnings and capital growth.

Stakeholder interests

With a Higher Education trust score of 81, a 1-point rise on last year, we know our University partners are confident in our abilities to provide a Home for Success for their students, as we are a key element in each student's experience at University. We are there to support them as an integral part of their personal and academic achievements.

Through the Unite Foundation we work with 27 Universities to provide scholarships for a safe and secure home for 209 students. Working together we can create better futures for our students.

Our 28 years of insight ensures we can deliver products and services that students want and need. Our MyUnite app allows students to chat with new flatmates before arrival, log maintenance requests, book laundry machines and access our 24/7 support functions. We take the hassle out of student living with all-inclusive bills, and our people help them feel at home. We do what's right by supporting students through the Unite Foundation, which provides accommodation scholarships to young people who come from care backgrounds or are estranged from their families.

We hold regular results briefings, trading updates and meetings with institutional shareholders, equity analysts and investors, publishing all reports and presentations on our corporate website.

The Unite Foundation

27

We work with 27 Universities.

209

We provide scholarships for a safe and secure home for 209 students.

Relevance to the business model and strategy

Building in collaboration with our University partners and deepening our relationships allows us to grow the proportion of beds in strong, long-term nominations agreements that underpin security of earnings.

⊕ Read more about **Universities on page 15**

We strive for the best customer experience for our students, increasing our customer satisfaction rating up to 83 points. This is delivered by our quality service in quality properties that help us to deliver on our brand promises to get students settled in, feel safe and secure, and know that we are there when they need us.

⊕ Read more about **Students on page 07**

We need our investors as a key source of efficient capital that enables the business to invest and grow.

⊕ Read more about **Investors on page 59**

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Employees

Our people are at the heart of us providing a Home for Success to our students, stakeholders and to each other. From our Student Ambassadors who are there for new students, to our 24/7 emergency contact centre, our people understand our brand promises to help students get settled in, keep them safe and secure and to be there when they need us. All our city teams are trained in active listening and to provide exceptional service.

We are driven by our values that guide us to deliver a strong internal culture focused on operational efficiency, high performance and engagement. We are proud of our responsible outlook, career development, high retention rates and ability to attract the best people to the right places, achieving an employee engagement score of 75%. We hold Investors in People Gold status and are a Living Wage employer.

Our people deliver a Home for Success both to our customers and our University partners, ensuring we are a service focused business. We employ and train the best people which enables us to provide quality service and drive operational efficiency.

⊕ Read more about **Employees on page 45**

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Communities

We operate in 22 cities across the UK, each with their own unique communities. We need to be actively engaged with these communities, listening to their needs and giving back where we can by being responsible neighbours, volunteering and supporting local charities. We also consult these communities when planning new buildings.

We support regional and national charities each year, with city teams choosing their own local charity of the year to nurture our local communities. We collaborate with local partners, for example, volunteering space in some buildings for charities to help them and us give back more to the areas we operate in. On a national level, we have now raised £586,125 for the British Heart Foundation, and taught hundreds of team members and students CPR.

We work hard to grow and develop strong local relationships to ensure our students and employees have a positive impact on the communities we live in.

⊕ Read more about **Communities on page 49**

Suppliers

We continually investigate new, better and modern ways to use the latest technologies to keep us at the forefront of our sector. We work with the right suppliers in the right places to deliver an efficient and boundary pushing service.

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We hold supplier events to stimulate innovation and keep us on top of the latest technologies, taking a leading role in industry developments. We also ensure our partners share our corporate commitment to excellence and responsibility through a rigorous tender process.

£586,125

raised for the British Heart Foundation in 2 years.

Strengthening the right relationships with the right partners helps us to drive efficiencies and improve margins, from both an operational and developmental perspective, while consistently delivering high-quality and innovative outcomes.

⊕ Read more about **Suppliers on page 46**

MARKET DRIVERS

Unite's business is focused on addressing the demand for student accommodation. In doing so, we aim to provide our University partners and students with *much-needed certainty and a living environment that* helps some 50,000 students get the best out of their time at University.

Key long-term trends

Student numbers

Student numbers remain robust, supported by the global standing of UK Universities. In 2018, the total number of applicants for full time *University degrees declined* slightly (-0.6%), as expected due to demographic changes in the number of 18-year-olds in the UK. Acceptances remained largely flat (-0.1%) demonstrating that universities continue to manage student recruitment proactively. The strong reputation of UK higher education continues to drive student demand abroad, with a 6.5% rise in non-EU applicants, and 2.8% rise in EU applicants. While Brexit uncertainty does not appear to be impacting EU students' appetites for UK Universities, government policy towards EU students post Brexit could be a key driver of change in demand. Applications for 2019 entry from EU students rose 1%, while non-EU applications rose 9%, reaching record levels.

The record participation rates among UK 18-year-olds is offsetting demographic decline. A further 2% decrease in the UK's 18-year old population is predicted for 2019 – however, *the total number of applications* has fallen just 1% for 2019.

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Competition and supply

The Purpose Built Student Accommodation sector which Unite effectively created 28 years ago is maturing and today is worth c.£50 billion. The widening appeal of PBSA has attracted significant levels of capital investment in the sector in recent years, with over £16 billion of *investment activity. There are* now c.33 providers operating over 600,000 beds in the sector.

The outlook suggests the rate of new supply will continue at 20,000-25,000 beds in 2019 before starting to reduce.

However, the University accommodation market continues to be under-supplied with c.750,000 first year and postgraduate students, most of whom require accommodation.

How we're responding

With higher participation rates expected to continue alongside the rapid reversal of the demographic decline from 2021, the longer-term outlook for UK students looks encouraging. While demographics have reduced the number of 18-20-year-olds, the desire to go to University has grown and participation rates have increased steadily from 33% in 2015 to a record level of 38% in 2018.

We remain focused on creating a high-quality portfolio aligned to the strongest Universities, where student demand is highest. We constantly review our portfolio to ensure we have the right properties in the right locations, aligned to the strongest Universities to mitigate risk to student numbers.

There also remains a deficit between the number of places offered by universities and the number of beds they have to house students. At a time when accommodation guarantees are becoming more attractive to students – particularly postgraduate and international students – and University bed numbers remain flat, we see an opportunity for us to leverage our University relationships and support both their and our ongoing growth.

Read more about **Market risks on page 28**

New supply is slowing, particularly in saturated markets but there remain opportunities where student numbers continue to grow. The strength and depth of our relationships with Universities provides us with opportunities not open to our competitors, and allows us to work on long-term accommodation strategies aligned to student acquisition. Our focus on the best Universities means we are well positioned to grow alongside our University partners.

We have a strong development and University partnership pipeline with 3,074 beds opened in 2018 and 6,579 beds being delivered over the next four years in strong University cities where demand is high. On completion of this pipeline our exposure to high- and mid-tier universities rises to 91%.

Optimising our portfolio through disposals – in tandem with new developments – ensures our properties remain attractive to today's students.

Read more about **Our University partnerships on page 12**

Deepening partnerships with Universities

Accommodation is an increasingly important part of Universities' overall propositions, as the experience impacts on retention and satisfaction, which in turn impacts their Teaching Excellence Framework result – a key indicator of quality for prospective students.

Universities are under increasing financial pressure; attracting students is now more important than ever, and accommodation guarantees have become a key marketing tool, particularly for postgraduate and international students. However, investment in their own accommodation estate remains difficult versus the competing needs of teaching facilities, research and staffing costs, meaning these commitments are difficult to meet without support from a strategic partner.

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As a trusted partner to Universities, we don't just supply quality homes for their students, we can help them build a long-term sustainable strategy. This can include financial and property consultancy, partnership approaches to development or asset refinancing, integrated accommodation management or a bespoke combination.

In the past 18 months, we have secured two further University partnership schemes, in London and Oxford, and are in active discussions with a number of others to work together on new or existing properties. Our highest ever HE Trust score of 81 shows Universities trust us to support them – with 60% of our beds under long term nomination agreements, we are confident we can continue to deliver for our partners well into the future.

Read more about
PBSA on page 25

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Wellbeing

Student mental health and wellbeing is a key focus for Universities, government and the media. Unite Students has long recognised that the leap to University – while liberating and exciting – is also an intensely challenging time. Our insight programme has heavily focused on resilience and mental health in the past six years, allowing us to support our students and our University partners with pioneering initiatives. With one in four students reporting a mental health issue, delivering our Home for Success purpose for our c.50,000 students is more important than ever.

We were the first student accommodation provider to train our employees in basic mental health awareness and active listening skills, to ensure we can help students when they need it. Each city also has Welfare Leads who have mental health first aid training and are supervised by our dedicated student services team.

We work closely with our University partners to integrate into their student services organisation, and signpost to campus services. All of our students can access Nightline – a telephone support service run by students for students.

We launched the Leapskills programme, which is designed to better prepare prospective University students for independent living. We have already delivered sessions to almost 1,000 16-18-year olds and are continuing to expand the programme's reach.

Read more about
Wellbeing on page 34

We are more than simply a student accommodation developer and operator. Our unique combination of assets and capabilities provides a strong strategic foundation to deliver future growth and sustainable returns for our shareholders in an increasingly competitive market.

A strong balance sheet, together with our investment in the Unite Students Accommodation Fund (USAF) and the London Student Accommodation Joint Venture (LSAV) give Unite a flexible range of options for funding development, investment and future-funded property acquisitions. This capability has been enhanced in 2018 by securing an investment grade credit rating and improved debt facilities, allowing more efficient funding of our existing pipeline.

1

Quality properties

1. Portfolio aligned to best Universities

The quality, location and scale of our portfolio is a key component of [illegible] business model and strategy. We aim to align our portfolio with the strongest universities where student demand is predicted to remain high, helping us to develop further growth opportunities. With 90% of our portfolio aligned to these universities [illegible] % on completion of our existing pipeline, we are confident we [illegible] continue to deliver high levels of occupancy and rental growth.

We know what is important to students, both from our 28 years of experience in the student accommodation sector and our [illegible] research programme, which provides us with valuable knowledge into the student of today and tomorrow.

2

Quality service platform

2. Scalable operating platform

In building a platform for success we have successfully harnessed the power of our PRISM operating system and other proprietary digital platforms to simultaneously improve our students' experience and drive operational efficiencies.

Based on student feedback we introduced an online check-in system, used by 53% of students as they arrived at the start of the new academic year, increasing our operating efficiency and reducing hassle for our students. Our MyUnite app is now used by 89% of our students and delivers a wide range of useful information and has helped to reduce [illegible] related calls to our customer [illegible] by 39%. The popular uChat function within the app allows students to connect to future flatmates, reaching 98% of our direct-let student population.

We have based our home brand promises on our customer insight and research – keeping you safe and secure, getting you settled in, and being there when you need us. Our quality service platform helps us to deliver on these promises, offering an enhanced digital service on the check-in and through MyUnite app services, delivering quick and efficient maintenance responses, providing high speed Wifi as a standard and working to deliver leading operating margins.

3

Quality University partnerships

3. University relationships

Our University relationships, developed over many years, provide us with opportunities which may not be available to our competitors, securing [illegible]% of our beds under nomination agreements with an average length of six years, [illegible] 26% [illegible] record uplift following our first [illegible] campus [illegible] Aston University [illegible] portfolio in 2017 we have secured two further university partnerships [illegible] in 2018, [illegible] and Oxford, providing further growth opportunities.

A strong balance sheet, together with our investment in the Unite Students Accommodation Fund (USAF) and the London Student Accommodation Joint Venture (LSAV) give Unite a flexible range of options for funding development, investment and asset management activities. This strength has been enhanced in 2018 by securing an investment grade credit rating and improved debt facilities, allowing more efficient funding of our existing pipeline.

Home for Success

For students and Universities

Our purpose

Our Home for Success purpose is what drives us as a business. It manifests in many forms – from designing buildings made for today's students, based on deep insight and customer feedback, to creating long-term, inimitable partnerships with Universities that deliver value for Unite, our partners and our students. Our efficient, scalable, service platform – honed over many years and unique to Unite – is designed to deliver a seamless customer experience that we improve year-on-year.

Secure high quality income

Continuous portfolio enhancement

Robust capital structure

Superior total returns for shareholders through dividends & value growth

Strategic report
CHIEF EXECUTIVE'S STATEMENT

I am pleased to report another strong set of results for the year ended 31 December 2018. We have maintained our focus on delivering sustainable growth in recurring profits and cash flows over the long-term, and on delivering a Home for Success for all the students who live with us.

Financial highlights

EPRA earnings
£88.4m
2017: £70.5m

EPRA EPS
34.1p
2017: 30.3p

Profit before tax
£245.8m
2017: £229.4m

Basic EPS
90.8p
2017: 95.3p

Dividend per share
29.0p
2017: 22.7p

Total accounting return
13%
2017: 14%

EPRA NAV per share
790p
2017: 720p

Loan-to-value
29%
2017: 31%

We do this by providing valued services and operating high-quality buildings, designed specifically for students. Our investment discipline ensures we maintain a robust capital structure and deliver sustainable earnings.

Performance in 2018 resulted in another year of growth in EPRA earnings, like-for-like rents and development profits. EPRA earnings increased by 25% to £88.4 million and now represent over one-third of total accounting returns. The security, quality and visibility of our earnings provides the confidence to maintain our dividend payout at 85% of EPRA EPS.

Financial highlights

	2018	2017
EPRA earnings	**£88.4m**	£70.5m
EPRA EPS	**34.1p**	30.3p
Profit before tax	**£245.8m**	£229.4m
Basic EPS	**90.8p**	95.3p
Dividend per share	**29.0p**	22.7p
Total accounting return	**13%**	14%
EBIT margin	**71%**	68%
EPRA NAV per share	**790p**	720p
Loan to value (LTV)	**29%**	31%

We will continue to focus on growing earnings, both in absolute terms and as a proportion of total returns. This is supported by our operational focus and the delivery of our secured pipeline. More specifically, the high degree of income visibility (driven by nominations, re-bookers, international and postgraduate students) and more effective utilisation of assets underpin our ability to maintain full occupancy and grow income on an annual basis. With increasing scale and a consistent focus on cost efficiencies, we have continued to invest a proportion of savings back into our service offer and also deliver further margin improvements. We see further opportunities to sustain improvements in both service and margins. The progress that we have made developing our University partnerships alongside more traditional development activity, will drive further growth over the next few years and we continue to see an attractive pipeline of opportunities in both of these areas.

Our PRISM operating platform, coupled with our experienced management and leadership teams, give us a unique capability to drive value from our portfolio through further scale efficiencies, revenue management and utilisation, supporting our ongoing income focus. These capabilities give us confidence in sustaining rental growth.

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We have actively prioritised improving the quality of our portfolio by using our customer insight and extensive local knowledge to align with the top performing Universities and ensure that we are in the best locations within our markets. This focus on the best universities in the UK means that we are well positioned to maintain full occupancy and rental growth over time.

Delivering for students

A University education can transform lives. We recognise, however, that it requires a significant financial commitment and understand that young people are increasingly focussed on getting value for their investment. Students understand that accommodation is a key ingredient in this and are demanding increased levels of service. We are therefore committed to delivering a living environment that provides students with what matters most to them and supports their academic, social and personal development. We believe that the value of a University education goes beyond future earnings potential and recognise the importance of this to students and all stakeholders. Our students earn on average 33% more than national median earnings five years post graduation, reflecting the value of their time at university.

We seek to provide a valued service through the consistent delivery of Home for Success, our insight-based student proposition that brings together great properties with the services students want, provided by people who understand students and, importantly, who care. In recent years, a significant investment in technology and our digital capability has helped us increase the differentiation of our offer, improve our students experience and drive operating efficiencies.

Our properties are located where students want to live, close to their University and are well maintained and regularly refurbished. We provide a range of room types at different price points with 92% configured in clusters with en-suite bedrooms and shared living spaces, which is how our research consistently tells us most students want to live. We offer different tenancy lengths to cater to a diverse spectrum of students, totalling 1.5 million students in need of accommodation. Amongst other things, our rents include all utilities, service charges, full contents insurance, rapid maintenance and high speed Wi-Fi. In addition, our teams are on hand to support students when they need us, either physically or digitally. We make sure our dealings with students are straightforward and fair. Our service is based on providing the things that students value most: a safe and secure environment, support getting settled in quickly and help thereafter when they need it.

This commitment to providing value for students is reflected in average occupancy of 98% and rental growth of 3.5% p.a. over the last five years. Growing numbers of second, third year and postgraduate students are choosing to return to us and now account for two-thirds of our direct-let bookings. These students traditionally have lived in the private-rented sector, a sector that was recently highlighted in the NUS's 'Homes Fit for Study 2019' report for many of its poor practises, including housing quality, maintenance issues and deposit-related issues. The report also highlighted a rental level that is comparable to PBSA. These factors help to explain why more returning students are choosing PBSA over traditional alternatives. With over 800,000 students still living in private rented housing, we continue to see further opportunity in this area.

Customer service satisfaction levels, a key performance indicator for us, remain at consistently high levels and place us on a par with some of the best service companies across Europe. 94% of our customers are satisfied with their accommodation and across the whole PBSA market 74% of students are happy with their accommodation (Knight Frank / UCAS) demonstrating the continuing appeal of our product and service and also more broadly across the sector.

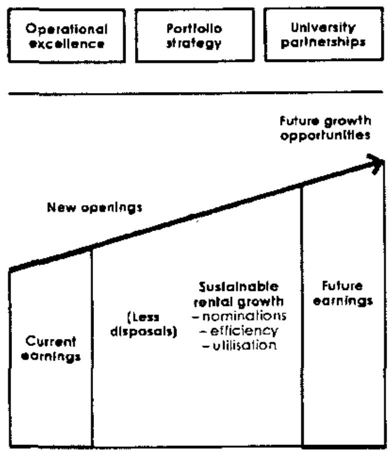
We are proud to continue our support for the Unite Foundation. The Foundation provides financial and pastoral support to over 200 students every year in partnership with 27 universities.

Partner of choice for Universities

Our reputation with partner Universities is another of our key performance metrics. The results of our latest Higher Education trust survey show that our reputation with Universities across the UK is at record levels. This reflects years of sustained investment in key relationships and represents a key strategic advantage for Unite resulting in a growing number of discussions about new opportunities.

In a highly-competitive environment, Universities are increasingly recognising the importance of high-quality accommodation in their ability to attract and retain students and ensure their satisfaction, a key performance metric under the government's Teaching Excellence Framework. Like the students who live with us, Universities are increasingly recognising the value of our student proposition, Home for Success.

Driving Unite's earnings growth



CHIEF EXECUTIVE'S STATEMENT CONTINUED

Because of this, almost two-thirds of our estate is now let under nomination agreements with more than 45 of the UK's best institutions. Both our city-based managers and our Higher Education Engagement team work closely with these Universities to help them meet their short-, medium- and long-term accommodation needs, as well as their targets for student satisfaction, experience, welfare and retention. With an average remaining life of six years, these agreements provide income and rental growth certainty on 60% of our student income.

The availability of high-quality accommodation *represents a significant constraint for many* Universities, who are increasingly approaching Unite not as a traditional supplier but as a strategic partner in their long-term accommodation strategy. During the year, we secured two further University partnerships and have continued to make progress with our pipeline. We are in active dialogue with 10 Universities over potential partnerships. The growing appetite for innovative, long-term University partnership deals is helping us grow our portfolio of partnerships and drive long-term income security. Additionally, we have negotiated new agreements with three top 25-ranked Universities and also increased the proportion of nominations agreements benefiting from contractual rental uplifts from 71% to 76%.

Operating quality buildings

The quality, location and scale of our portfolio is a key component of our business model and long-term strategy. We aim to operate buildings in and around high-quality Universities where student demand is highest. We believe that our focus on these institutions is the best strategy for driving continued high levels of occupancy and rental growth. We are therefore focussing our portfolio activity on further improving alignment to the strongest ranking Universities and being in the best locations. 90% of our income is generated by students attending such Universities and we will ensure that our portfolio remains aligned to the best Universities in the UK.

During 2018, we opened 3,074 new beds, added 331 beds to our portfolio through acquisition and sold 3,436 beds. Taking into account these activities, together with valuation movements, the value of our investment portfolio (including our share of USAF and LSAV) is £2.7 billion as at 31 December 2018 (2017: £2.4 billion).

The purpose-built student accommodation sector continues to attract a significant level of global institutional capital. Over £3 billion of assets were traded in the year, driving yield compression across the sector, most notably for the highest-quality assets. The valuation of our *portfolio increased as a result of an inward yield* movement of 15 basis points on a like-for-like basis and the portfolio is valued at an average portfolio yield of 5.0% (2017: 5.2%).

Development and partnerships pipeline

We also made excellent progress with our development pipeline during the year. We delivered seven new buildings over the summer and secured two additional development schemes, taking our secured development pipeline for delivery over the next four years to 6,579 beds. The construction of all our 2019 openings is progressing in line with plans and we expect that around 70% of these beds will be secured by nominations agreements. Planning consents and build contracts are in place for all of our 2020 deliveries and we are finalising our plans for schemes delivering in 2021 and 2022.

Since the year end, we have secured an option to acquire a new site in Bristol, on a subject-to-planning basis, *that is expected to deliver 650* beds in 2022 and to be delivered as a University partnership scheme.

The secured development and partnerships pipeline is highly accretive and remains a significant component of our future earnings growth and, taken together with rental growth and disposals, could contribute 13-17 pence per share to EPRA earnings once built out.

The anticipated yield on cost of our secured *development pipeline is 7.6% and prospective* returns on new schemes remain attractive at around 7.0% in London and 8.0% in the regions. We have lower hurdle rates for developments that are supported by Universities or where another developer is undertaking the higher-risk activities of planning and construction.

We continue to see attractive development and partnership opportunities both in London and in other strong University markets. We plan to continue investing selectively in markets to enhance portfolio quality whilst maintaining *discipline around target returns and pushing* for greater optionality given the uncertainty created by Brexit. We expect to maintain our run rate of 1,500-2,500 new beds over the coming few years.

Disposals

Disposals remain an important part of our strategy and we will continue to recycle assets out of our portfolio to ensure that we increase our exposure to the UK's best Universities, whilst generating capital to invest in further development activity and other investment opportunities. During 2018, we sold 14 properties for £180 million, of which Unite's share is £85 million. Following the disposal, we no longer have a presence in Plymouth or Huddersfield and have further improved our alignment to our target Universities, supporting our longer-term rental growth aspirations.

Our secured development pipeline requires a *further £486 million of capital expenditure, and* we intend to sell a further £100-£150 million (Unite share) of assets during 2019 to take advantage of the ongoing strength in the investment market and to ensure that we maintain a strong and flexible balance sheet as we progress our development pipeline. This disciplined approach to portfolio optimisation underpins our ability to sustain rental growth over a longer-time horizon.

DELIVERING IN PARTNERSHIP WITH UNIVERSITIES

Image deleted

We are developing Parade Green, an 887-bed property in Oxford, after working closely with the University of Oxford Brookes, agreeing a 25-year nominations agreement.

The strength of our partnership with Oxford Brookes was instrumental in the council granting planning consent for development. This acquisition adds to our current 480 beds, all under nominations agreements with Oxford Brookes.

We are focused on improving sustainable earnings growth by identifying opportunities for deeper partnerships based on Universities' commitments to long term nominations agreements. Parade Green will be delivered for the 2019/20 academic year with total development costs expected to be c.£73 million.

1,350

887-bed building opening in 2019; fully nominated to Oxford Brookes University (OBU) on a 25-year deal; extends partnership with OBU to 1,350 beds.

Image deleted

CHIEF EXECUTIVE'S STATEMENT CONTINUED

High-quality earnings and a strong capital structure

We have achieved 98% occupancy across our portfolio and rental growth of 3.2% for the 2018/19 academic year. With 60% of beds underpinned by University nomination agreements, we have a high level of visibility in the ongoing occupancy and rental growth outlook of the portfolio. The investments that we have made in our PRISM operating platform differentiate us from our competition and provide capacity for us to continue growing the portfolio and delivering efficiencies in the future. This focus on efficiency has resulted in us delivering our NOI margin target of 75% and our overhead efficiency target of 30 basis points. As outlined at our Capital Markets Day, going forward we will combine these two measures and target an EBIT margin (NOI less overheads and fees as a percentage of sales). This measure shows the overall efficiency of the business and significantly aids comparability across the sector. In 2018, we achieved a sector leading EBIT margin of 71%, up from 68% in 2017 and are targeting an EBIT margin of 74% by the end of 2021. This will be delivered by maintaining discipline on back office efficiency and ensuring that services delivered to students are meaningful, relevant and delivered efficiently.

Unite's share of net debt grew by £53 million to £856 million in 2018. The majority of our property and development expenditure (Unite share £273 million) was funded by our share placing and disposal programme which, together with asset value appreciation, resulted in the reduction of LTV to 29% (2017: 31%). This LTV is at the lower end of our target range and we expect it to increase back to around the mid-30% level as we build out the development pipeline. We also monitor our interest cover ratio which currently stands at 3.4 and net debt to EBITDA ratio which is at 6.1 (2017: 2.6 and 6.5), both of which are in line with our target levels.

The Group also made its debut in the listed unsecured bonds market, raising £275 million of 10-year bonds and has retained its investment-grade credit rating from Standard and Poor's and Moody's. The new funding provides additional financing headroom, greater flexibility and a reduced cost of funding.

Market and strategy

The outlook for the student accommodation sector remains positive, with structural factors continuing to drive a demand-supply imbalance in the cities where we operate. The UK Higher Education sector is recognised globally for the strength of its universities and the contribution it makes to research, innovation, talent development and the UK economy more broadly. The UK is the second most popular destination for international students and has 11 out of the world's top 100 Universities and 58 of Europe's top 200 Universities.

Total student numbers again reached record levels at over 1.8 million. The number of applicants and the number of students accepted into courses in 2018 was at 696,000 and 533,000 respectively (2017: 700,000 and 534,000). Despite a fall in applications of less than 1%, universities were able to recruit from the excess of applications, resulting in intake remaining in line with the previous year and applicants still outstripping acceptances by 163,000. The small reduction in applications was driven principally by the demographic decline in the UK, with international students once again growing.

The initial applications data for the 2019/20 academic year is encouraging, with overall applications up by 0.5% with growing participation rates and increased numbers of international students more than offsetting the impact of the demographic decline that continues until 2021.

Going forward, the gap between the number of applicants and University places could be impacted by some external factors, including the impact of the UK leaving the EU and the demographic trend that has seen a 60,000 reduction in the number of 18 year-olds over the past four years. Whilst the impact on student numbers of the UK leaving the EU is difficult to predict, EU students only make up around 2,500 of our direct-let customers and EU student numbers have continued to grow over the last two years. We are nevertheless forecasting a 20-25% decline in EU undergraduates by 2023, equating to a fall of around 1% of total students.

However, participation rates continue to grow as more young people are choosing University over other alternatives and this, together with the reversal of the demographic decline, means that the outlook for UK student numbers looks increasingly positive. With demand from international students also growing, up 9% this year, a more positive visa environment and a relatively small impact from Brexit, we feel equally positive about international demand.

The Government's review into post-18 education through the Augar Review is expected to report in the next few weeks. The review is expected to propose a number of changes to the way Higher Education is funded. Whilst the outcomes remain unclear, we expect to see the review recommend some reduction in the fees that students pay and potentially create some restrictions for Universities or courses that are assessed to offer lower quality outcomes. We continue to focus on higher-quality Universities determined by a variety of measures such as TEF rankings, league tables, student outcomes, entry criteria and financial strength. This is demonstrated as less than 4% of our income is generated from lower financial-strength Universities and only 3% of our students are at universities with entry requirements lower than three Ds at A level. This strategy of focussing on higher-quality Universities positions us well to withstand any impact of these changes. Any changes could also put pressure on University finances and we will continue with our dialogues with Universities as to how we can best support them through our partnership activity.

We have achieved 98% occupancy across our portfolio and rental growth of 3.2% for the 2018/19 academic year.

The student accommodation sector has attracted significant levels of capital investment over the last four years with over £16 billion of investment activity. This increased investment activity has seen the new supply of accommodation increase and the total number of purpose-built beds (including University-owned beds) grow to over 600,000, representing around one-third of the UK's student population. At this level, there still remains a shortage of purpose-built accommodation compared to the numbers of first year and international students, before taking account of the increasing numbers of second and third-year students who are choosing this type of accommodation. The outlook suggests that the rate of new supply will continue at a similar rate of around 20,000–25,000 beds in 2019 before starting to reduce. Supply in 2020 and beyond is currently limited to a further 20,000 beds. A large proportion of the new supply is focussed in markets where we do not have a presence and on the premium end of the market where we believe the competitive threat that it poses to our more mainstream proposition is limited.

Our exposure to changes in student numbers and increases in supply is mitigated by our alignment and relationship with high-quality Universities where student demand remains strongest, underpinned by nominations agreements. We remain confident that well-located, mid-range, direct let student accommodation will continue to support high levels of occupancy and rental growth.

Outlook

The outlook for the business remains positive. Building on our consistent performance record and the market fundamentals, the Group remains well placed to deliver sustainable earnings growth in the years ahead. Whilst the Augar Review could present some new challenges for the sector, UK Universities continue to demonstrate their ability to adapt and respond to a changing landscape and retain their globally recognised status. Growing participation rates highlight the very significant value that young adults place on a University education and the opportunities that it creates. This trend continues to drive the demand for high-quality Higher Education amongst both UK and international students as seen by the latest applications data. Our alignment to and relationships with the best Universities in the UK means that the impact of any changes on our business will be manageable.

Our development pipeline, University partnerships and operational expertise provides good visibility of future rental growth and increasing recurring earnings. With the increased level of macro risks, we are maintaining discipline around the allocation of capital into new opportunities but still expect to invest into new, value-enhancing activities. We are confident that our strategy of aligning our operations with the best performing Universities in the UK, combined with our highly scalable operating platform, strong brand and reputation, makes us well positioned to extend our market-leading position.

Richard Smith
Chief Executive Officer
27 February 2019

1.8m

Total student numbers again reached record levels.

0.5%

The initial applications data for the 2019/20 academic year is encouraging, with overall applications up by 0.5%

£16bn

The student accommodation sector has attracted significant levels of capital investment over the last four years with over £16 billion of investment activity

STRATEGY AT A GLANCE

Our strategy is to build and operate the UK's leading portfolio of student accommodation, designed specifically for students, in the right locations with services that our students and University partners value.

1
Quality properties

Image deleted

2
Quality service platform

Image deleted

3
Quality University partnerships

Image deleted

Current strategic focus	2018 in review	Objectives for 2019	Link to performance
— Portfolio optimisation through development, disposal and recycle to ensure we have the right properties in the right locations, aligned to the strongest Universities — Ensuring our buildings are safe and secure for customers and colleagues, and environmentally sustainable.	— Opened seven new properties — Purchased a 678-bed scheme in Wembley via forward fund — Disposed of £180 million of assets which no longer fit with our strategy	— Continue to increase the quality of our portfolio through targeted acquisitions and disposals — Continue to align our portfolio with mid- to high-ranking Universities in cities in which we already have a presence, to drive efficiencies.	— Net asset value — Earnings per share — Higher Education trust score — Customer satisfaction score Read more about **Quality properties on page 12**
— *Maintaining high occupancy rates* — Delivering continuing rental growth — Deliver ongoing efficiency improvements though our proprietary operating platform — Continue to enhance the service we provide to meet the needs of today's students.	— Occupancy rate of 98% and 3.2% rental growth — Delivered further improvements in NOI and overhead efficiency measure.	— *Maintain high occupancy levels and rental growth of 3.0–3.5%*	— *Earnings per share* — Customer satisfaction score — Net asset value — Employee engagement score. Read more about **Quality service platform on page 12**
— Strengthening our partnerships with mid- to high-ranking Universities — Grow the proportion of Unite beds aligned to mid to high-ranking Universities — Continue to increase quality of nominations agreements.	— Secured further University partnership schemes in Oxford London and Bristol, totalling 2,497 beds — 90% of beds now aligned to mid- to high ranking Universities.	— Pursuing additional University partnership schemes to deliver further growth and long term security of income — Increase beds under long-term nomination agreements.	— Net asset value — Earnings per share — Higher Education trust score Read more about **Quality University partners on page 12**

Read more about **Remuneration on page 86, KPIs on page 22 and Risks on page 24**

KEY PERFORMANCE INDICATORS

Financial KPIs

Earnings per share*
Pence
34.1p

Graph deleted

Measure
Our EPRA earnings KPI is a measure of profit per share in line with EPRA guidelines.

Comment
Sustainable growth in earnings has been driven by the delivery of new beds and high levels of occupancy and rental growth supported by a focus on delivering operational efficiency. The growth in earnings underpins our strategic priorities of delivering great service, and growing and sustainable earnings.

Target
Deliver visible and meaningful growth in EPS by maintaining high occupancy, rental growth and delivering the development pipeline.

* Results are based on the European Public Real Estate Association Performance measures

Alignment to strategy

Net asset value*
Pence per share
790p

Graph deleted

Measure
Our EPRA NAV per share measures the market value of properties and developments less any debt used to fund them plus any working capital in the business

Comment
Consistent NAV growth has been delivered through rental growth, yield compression, development profits and retained earnings. Our sustainable growth in NAV reflects the implementation of the business model and our strategic priority to operate quality properties.

Target
To continue delivering strong balanced returns, contributing to a low double digit total return.

* Results are based on the European Public Real Estate Association Performance measures

Read more about **Remuneration on pages 74 to 95**

Alignment to strategy

Total accounting return
%
13%

Graph deleted

Measure
The total accounting return to shareholders is the ratio of growth in EPRA NAV plus dividends paid as a percentage of opening EPRA NAV.

Comment
Total accounting return has averaged 18% in the past six years, driven by the growth in EPRA earnings, yield compression, rental growth and development profits. The performance in 2018 was delivered by focusing on growing rental levels and the delivery of our high-quality development pipeline.

Maintaining a strong total return from our portfolio is a result of our business model and delivery of our strategic priorities.

Target
Continue to deliver strong balanced returns.

Alignment to strategy

Loan-to-value ratio
%
29%

Graph deleted

Measure
Our ratio of net debt to property values

Comment
Continued to manage LTV within target range through ongoing focus on disposals and growing the value of the property portfolio. Our LTV reflects our strategy to maintain the strongest capital structure in the sector.

Target
To maintain LTV around the mid 30% level when pipeline is completed.

Read more about **Remuneration on pages 74 to 95**

Alignment to strategy

Key

- Quality properties
- Quality service platform
- Quality University partnerships
- Quality people

Operational KPIs

Safety
Number of accidents

6

Graph deleted

Measure
The number of reportable accidents in our operations each year as a means of assessing our success in approaching health and safety

Comment
Being safe and secure is one of our three brand promises, both to our customers and our people

We are disappointed the number of accidents has increased by one this year. We have put in place detailed analysis and reporting at both a property and accident category level to inform our risk management process and the design of safety training.

Target
We strive to reduce the number of reportable incidents year on year.

Alignment to strategy

Customer satisfaction

83

Graph deleted

Measure
We undertake an independent survey with TNS annually to understand our relationship with our customers, the experience we provide and their likelihood to rebook and recommend Unite

Comment
This year we have increased our customer satisfaction score by 2-points. We are determined to drive further improvement through the delivery of our brand promises and our commitment to Home for Success.

Target
We aim to reach the top 10% of benchmarked companies within the next three years

Read more about **Remuneration on pages 74 to 95**

Alignment to strategy

Employee effectiveness
%

75%

Graph deleted

Measure
We undertake independent, anonymous surveys among our employees three times a year to gain regular and insightful feedback on who we are as a company and how we can constantly improve

Comment
This year we appointed a new employee engagement provider, resulting in the removal of previous scores from this report as they could not be rebased accurately.

We are pleased our initial score represents a positive result, based on external benchmarking

Target
We strive to improve our score year on year

Alignment to strategy

Higher Education trust

81

Graph deleted

Measure
Annual qualitative research among Higher Education partners by RedBrick Research to understand their perception of Unite and the degree to which we meet their needs.

Comment
Understanding what our Higher Education partners need from us, both as institutions and for their students, is vital to designing and delivering our market leading service proposition. This year we have achieved a 1-point increase in our score, reflecting our ongoing commitment to our University partners.

Target
We aim to reach the mid 80-point level within the next three years

Alignment to strategy

A framework designed to manage risks and harness opportunities to support sustainable growth.

Image deleted

Chris Szpojnarowicz
Company Secretary and Group Legal Director

Our risk management framework

The Group continues to make real progress against our core strategic objectives and deliver sustainable growth in recurring earnings and cash flows. This delivery is underpinned by a number of external and internal dynamic factors.

Our risk management framework is designed to monitor these dynamic factors, ensuring we have the appropriate insight, flexibility and resilience to manage them. This is especially critical at a time when the purpose built student accommodation (PBSA) sector is maturing, the Higher Education sector and broader economy face Brexit uncertainty and potential Government policy change on tuition fees, Higher Education funding and immigration.

Our values are the foundation for this risk management framework and ultimately combine in our purpose to provide a Home for Success.

Our risk management framework and how we assess our principal risks and manage them are set out on the following pages.

1	**Board leads *risk review***	Assessing our risk profile and our principal risks.
2	**Top-down review**	Identifying a wide range of strategic and emerging risks and opportunities
3	**Bottom-up review**	Challenging risks identified by operational management and more technical risks such as information technology, security, continuity, GDPR, financing and treasury.
4	**Board searches externally for best practice**	Engaging with senior leaders in the Higher Education sector and technical experts on key issues such as fire safety

Output – four risk categories

Market risks (supply and demand)	***Operational risks***	**Property/ development risks**	***Financing risks***
⊕ Read more page 28	⊕ Read more page 29	⊕ Read more page 30	⊕ Read more page 31

The Group's principal risks mapped across these four risk categories, their impact on our strategic objectives and how we mitigate these risks are set out on pages 28 to 31.

Key risk developments in 2018

Risk profile category	What happened in 2018	Unite risk activity
Operational risks	Following the Grenfell Tower tragedy, the Hackitt Review and Building Regulations change continues the focus on fire safety, especially in high-rise residential properties	Reviewed and updated our fire strategy decisions Fire safety management – improved our policies and procedures, risk assessments, training and fire records Maintenance regimes – improved testing and planned preventative maintenance Continued working closely with Department for Communities and Local Government (DCLG), local fire authorities and fire safety experts to ensure fire safety and address any remedial actions following Grenfell Tower learnings Ensured aligned national approach through the Avon Fire Authority, our Primary Fire Authority. ⊕ Read more about **Fire safety and cladding on page 72**
Market risks (supply increase)	Maturing PBSA sector and increasing supply of PBSA beds.	Active property recycling with 90% of Unite's portfolio aligned to mid- to high-ranking universities increasing to 91% on completion of our development and University partnership pipeline and planned acquisitions and disposals 98% occupancy in 2018/19, underpinned by 60% nominations agreements, with an average remaining life of six years providing income and rental growth certainty. Disposed of 3,436 beds which no longer fit our strategy. ⊕ Read more about **Quality partnerships on page 12 and our Property Review on page 36**
Market risks (reduction in demand)	Continuing Brexit uncertainty and the UK's stance on immigration creating uncertainty for the Higher Education sector.	The ongoing quality of the UK higher education continues to address growing numbers of international students. EU and non-EU acceptances increased in 2018 (EU +2.8% and non-EU +6.5%) which offset the current UK 18-year-old demographic reduction. ⊕ Read more about **Market drivers on page 10**
Market risks (supply and demand)	Customer expectations continue to increase. Value for money and affordability is even more critical.	Record customer satisfaction and Higher Education trust scores evidencing continued strong service delivery. Developed our Unite app to improve connectivity with our digital native customers Continued the roll-out of our Student Ambassador programme and comprehensive Welcome programmes to ensure that students settle in quickly and feel safe and secure. ⊕ Read more about the **Operations review on page 32**

Our risk appetite

The Group's risk appetite is considered as a fundamental part of the Board's strategy setting and annual budget – it does not happen in isolation. Our risk appetite is underpinned by our principal financial aim to continue delivering low double-digit total returns and sustainable, growing earnings.

During the year, the Board reviewed our risk appetite in light of the key in-year risk developments (set out above). This considered both threats to – and opportunities in – our business in the context of macro and minor developments, not only in the PBSA sector but also the broader Higher Education sector, property market and economy.

RISK MANAGEMENT CONTINUED

Stress testing our strategic planning

Each year the Board develops and refreshes the Group's Strategic Plan. This is based on detailed three year strategic/financial projections (with related scenario planning) and rolls forward for a further two years using more general assumptions. The Board maps our strategic objectives against our risk profile. Then, always conscious that risk events do not necessarily happen in isolation, the Board stress tests these projections against multiple combined risk events. Through this process, a base case and stress tested Strategic Plan are developed.

During 2018, consistent with prior years, this stress testing scenario planning considered a material reduction in the number of European and international students, a material rise in long-term interest rates and [illegible], together with a combination of these events occurring at the same time.

Image deleted

Our strategic objectives compared to our risk profile

Strategic objective	Risk profile category	Principal risks
Quality properties	Property/development	**Increasing competition and customer expectations** underline the need to constantly improve the quality of our portfolio, while navigating site selection, development/planning risks and building cost inflation as well as disposal risks
Quality service platform	Market (supply and demand) Operational (Health and Safety)	The **health, safety, wellbeing and security** of the c.50,000 students who make Unite Students their **home** is the **foundation of our reputation and continued focus on Health & Safety is key** to building and maintaining this trust. **Affordability and value for money** are ever more critical in the increasingly competitive market place. Delivering the highest service levels in the sector continues to be critical to our sustainable and longer term success. **In an increasingly competitive market with more demanding customers** developing and retaining our talent is critical to ensure market leadership
Quality University partnerships	Market (supply and demand)	**With the increasing supply and maturing PBSA sector,** enhancing strong and sustainable University relationships is increasingly important

Creating the right corporate culture for effective risk management

The Group's risk management framework is designed to identify the principal risks and ensure that risks are being appropriately monitored, controls are in place and required actions have clear ownership with requisite accountability.

The organisation has an open and accountable culture, led by a stable and experienced leadership team operating in the sector for a number of years. This culture is set by the Board in the way it conducts its Board and Committee meetings and cascades through the organisation enabling the same culture for risk management.

The culture of the organisation recognises and accepts that risk is inherent in business and encourages an open and proactive approach to risk management as opposed to a blame culture. By viewing our risks through the lens of our strategic objectives, the Group is able to ensure risk management is pro-active and pre-emptive and not a tick box exercise.

The Board has the overall responsibility for the governance of risks and ensures there are adequate and effective systems in place. It does this in various ways:

- Risks are considered by the Board as an intrinsic part of strategy setting and consideration of new opportunities – risk is recognised as an inherent part of each opportunity
- A twice yearly formal review by the Board of principal risks, how they are changing and considering any emerging risks
- Risk Committee reviews the principal risks that the Group is facing or should consider
- Specific risk management in dedicated Board sub-Committees allowing focus on specific risk areas (for example, the Audit Committee and Health and Safety Committee)
- Risk Committee scrutiny and challenge of management activity allowing a focused forum for risk identification and review
- Risk assurance through external and internal auditors as well as specialist third party risk assurance where appropriate (e.g. British Safety Council providing specialist independent health and safety assurance)

Our risk management framework

The Board

Risks assessed as part of strategy setting and risk oversight

- Owned by the Board and its Committees
- Twice yearly formal risk review and ongoing monitoring of risk integral to Board meetings

Risk management

- Owned by the Risk Committee and the Operations/ Property Boards

  Monthly risk tracker review at Operations/ Property Boards
- Risk Committee review and challenge of all risk trackers and related risk and opportunity activity

Policies and controls

Underpinning risk management (such as Capital Operating Guidelines; Treasury Policy, Anti-Bribery Policy, Major Investment Approvals Committee and the internal controls framework)

People and culture

Embedded risk management culture

Openness, transparency and clear ownership of risk management (through risk trackers) cascades through the organisation

Composition of Risk Committee

Chris Szpojnarowicz
Company Secretary and Group Legal Director and Chair of Risk Committee

Richard Smith
Chief Executive Officer

Joe Lister
Chief Financial Officer

Nick Hayes
Group Property Director

John Blanshard
Chief Customer Officer

Strategic objective	KPIs
Quality properties	Gross asset value
	Asset age
	Occupancy
	Rental growth
Quality service platform	Safety
	Customer satisfaction
	Employee engagement
Quality University partnerships	Safety
	University trust
	Customer satisfaction
	% Noms v. Direct Let

Robust assessment of principal risks

The Directors confirm that they have conducted a robust assessment of the principal risks facing the Group. The process for how the Board determined these principal risks is explained above and the specific principal risks are set out on pages 28 to 31.

Viability statement

The Directors have assessed the viability of the Group over a three-year period to December 2021, taking account of the Group's current position and the potential impact of its principal risks. The Directors consider the three-year lookout period to be the most appropriate as this aligns with the Group's own strategic planning period combined with the levels of planning certainty that can be derived from the development pipeline. Based on this assessment of all principal risks, which includes the risks that could arise as a result of Brexit, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to December 2021.

As explained above, the Group has an annual business planning process which comprises a Strategic Plan, a financial forecast for the current year and a financial projection for the forthcoming three years (which includes stress testing and scenario planning and also rolls forwards for another two years). This plan is reviewed each year by the Board as part of its strategy setting process. Once approved by the Board, the plan is cascaded down across the Group and provides a basis for setting all detailed financial budgets and strategic actions that are subsequently used by the Board to monitor performance. The forecast performance outlook is also used by the Remuneration Committee to establish the targets for both the annual and longer-term incentive schemes.

The financing risks of the Group are considered to have the greatest potential impact on the Group's financial viability. The two principal financing risks for the Group are:

- the Group's ability to arrange new debt/ replace expiring debt facilities; and
- any adverse interest rate movements.

The Group has secured funding for the committed future development pipeline which includes the bonds issued in 2018 and the unsecured loan facility which is currently undrawn, and prepares its Strategic Plan on a fully-funded basis in line with the three-year outlook period. To hedge against the potential of adverse interest rate movements the Group manages its exposure with a combination of fixed rate facilities and using interest rate swaps for its floating rate debt. During the year the Group has complied with all covenant requirements attached to its financing facilities.

Read more about **Financial review on page 41**

PRINCIPAL RISKS AND UNCERTAINTIES

Market risks

1. Demand reduction (driven by Brexit uncertainty, Government policy or other macro events)

Possible events
- Brexit impacting numbers of EU students coming to study in the UK
- Changes in Government policy on Higher Education funding
- Immigration policy changes affecting international student numbers and behaviour

Impact
- Potential reduction in demand and hence profitability and asset values
- Departure from EU impacting on research grants and EU students coming to the UK

What happened in 2018
- Brexit uncertainty continued through 2018 [illegible]
- [illegible]
- UK continues as second most popular international destination for students [illegible]
- The Higher Education Funding Review [illegible]
- 2018 student intake broadly in line with 2017 [illegible]
- Stronger growth in the higher and mid-tariff universities [illegible]
- EU student funding arrangements [illegible] confirmed for 2019/2020
- Increased focus on quality and length of nominations agreements – 60% secured through nomination agreements with [illegible] years average maturity

⊕ Read more about **Market drivers on page 10 and Quality partnerships on page 12**

Risk management
We identified our key Brexit operational risks. These focus on our People, Procurement and Development. With this, we developed our Brexit Disruption Plan for the inevitable disruption that Brexit will bring, whether a deal or no deal.

Ongoing monitoring of Government policy and its impact on UK, EU and international students [illegible] studying in the UK. Regularly review our portfolio to ensure we have the highest quality portfolio appropriately sized and in the right locations.

Risk mitigation in 2018
Developed and implemented our Brexit Disruption Plan.

Through implementation of Home for Success [illegible] with more students [illegible] consistently high customer satisfaction and [illegible]

⊕ Read more about **Key performance indicators (KPIs) on pages 22 and 23**

Strategic objective
Offering great service is key to helping [illegible] demand [illegible]

⊕ Read more about
Business model and strategy on page 12

Focus for 2019
Preparedness for the impact of Brexit and the outcome of the HE funding review

2. Demand reduction (due to societal change)

Possible events
- Concerns over the costs of a university education – affordability and value for money
- Alternative course delivery (such as Massive Open Online Courses)
- Shorter/more semesterised courses

Impact
- More competition for value and reduced demand for year-round student accommodation in the long term resulting in lower profitability and asset values

What happened in 2018
- Strong service delivery evidenced by record levels of customer satisfaction [illegible]
- Our digital operating platform, PRISM, fully implemented [illegible] and new EBITDA target of 74% set for 2021
- Increasing proportion of second and third year [illegible] returning students
- Developed our mobile apps to improve connectivity with our digital native customers
- Continued our Student Ambassador programme and University [illegible] programme

⊕ Read more about **Quality service platform on page 12**

Risk management
Ongoing monitoring of affordability and value for money and the evolution of digital learning and ensuring we partner with stronger Universities with properties in the best locations.

Risk mitigation activity in 2018
Ensuring delivery of online and more flexible tenancies through PRISM.

Continued investment in market knowledge and focusing our relationships with the strongest Universities driven by Home for Success and our University partnerships team.

Strategic objective
Offering quality services is key to ensuring we have relationships with the high quality universities most likely to sustain demand. PRISM helps us deliver the best customer service efficiently.

⊕ Read more about
Business model and strategy on page 12

Focus for 2019
Developing our product proposition and specialisation to deliver exactly what our customers want.

Continued focus on Home for Success and our partnerships with stronger universities.

Key

Quality properties

Quality service platform

Quality university partnerships

3. Supply increase (maturing PBSA sector and increasing supply of PBSA beds)

Possible events

- [illegible]

Impact

- [illegible]

What happened in 2018

- [illegible]

Read more about **Property review on page 36 and our Operations review on page 32**

Risk mitigation in 2018

[illegible]

- [illegible]
- through Home for Success
- [illegible]

Read more about **Operations review on page 32**

Strategic objective

[illegible]

Focus for 2019

[illegible]

[illegible]

[illegible]

Operational risks

4. Major health and safety (H&S) incident in a property or a development site

Possible events

- [illegible]

Impact

- [illegible]

What happened in 2018

- [illegible]

Read more about **KPIs in H&S Committee report on page 72**

Risk management

[illegible]

Read more about **H&S Committee report on page 72**

[illegible]

Risk mitigation activity in 2018

[illegible]

[illegible]

[illegible]

Strategic objective

[illegible]

Read more about **Business model and strategy on page 12**

Focus for 2019

[illegible]

[illegible]

[illegible]

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Property/development risks

5. Inability to secure the best sites on the right terms. Failure or delay to complete a development within budget and on time for the scheduled academic year

Possible events

[illegible]

Impact

[illegible]

What happened in 2018

[illegible]

Read more about **Property review on page 36**

Risk mitigation activity in 2018

[illegible]

Read more about **Development activity on pages 14 to 16**

[illegible]

Risk management

[illegible]

Strategic objective

[illegible]

Read more about **Business model and strategy on page 12**

Focus for 2019

[illegible]

Read more about **Secured development pipeline on page 39**

6. Property markets are cyclical and performance depends on general economic conditions

Possible events

[illegible]

Impact

[illegible]

What happened in 2018

[illegible]

Read more about **Asset disposals on page 40**

[illegible]

Read more about **Property portfolio on page 36**

Risk mitigation activity in 2018

[illegible]

Risk management

[illegible]

Strategic objective

Quality properties

Read more about **Business model and strategy on page 12**

Focus for 2019

[illegible]

Financial risks

7. Unable to arrange new debt or expiring debt facilities cannot be replaced or only at high cost. Adverse interest-rate movements.

Possible events

- [illegible] breaches a [illegible] covenant [illegible] to replace debt on expiry
- Interest rate increase

Impact

- Unable [illegible] debt [illegible] possible [illegible] assets [illegible] to sale below [illegible] development activity
- Reduced levels of profitability
- Adverse rate movements can lead to reduced profitability and reduction in property values [illegible]

What happened in 2018

Unite Group plc was given an investment grade corporate rating of BBB from Standard & Poor's and Baa2 from Moody's

Transition to unsecured borrowing structure following issuance of £275 million unsecured [illegible] bond [illegible] investment-grade credit rating

Weighted average debt maturity increased from [illegible] years to [illegible] years and average cost of debt reduced to 3.8% (31 December 2017: 4.1%)

At 31 December 2018 LTV 27% (31 December 2017: 3[illegible]%) and net debt [illegible] (31 December 2017: £[illegible]m)

99% of debt at fixed rate/swapped

Risk mitigation activity in 2018

Regular and reliable engagement with lenders

With a benign interest rate environment we continue to take advantage of historically low rates (both on new debt and [illegible] entering into forward starting interest rate swaps locking in rates for our development pipeline)

Read more about **Debt financing and interest rate hedging arrangements and cost of debt on page 42**

Risk management

Proactively managing debt maturities to refinance these facilities at least [illegible] months before maturity and [illegible] diversifying [illegible] sources of finance to repay more expensive and less flexible borrowings

Control of future cash [illegible] with progress [illegible] interest rates monitored by the funding team as an integral part of our refinancing activity [illegible] owned by the CFO and with Group Board oversight

Gearing ratio defined in our Capital Operating Guidelines

Hedge exposure with interest rate swaps and refinance [illegible] with fixed rates

Read more about **Financial review on page 41**

Strategic objective

Earnings and NAV growth

Read more about **Business model and strategy on page 12**

Focus for 2019

[illegible] capital structure [illegible] future development [illegible] beyond 20[illegible]

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

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John Blanshard
Chief Customer Officer

Sales, rental growth and profitability

The key strengths of our operating business are our people, our PRISM operating platform, our brand and the strength of our relationships with Universities. We have continued to build on these throughout 2018, resulting in a 28% increase in EPRA earnings to £88.4 million (2017: £70.5 million). This growth has again been driven by high occupancy, rental growth and the impact of capital recycling, as well as further operational efficiencies and ongoing cost discipline.

Rental income has increased by £17.5 million, up 10%, as a result of new openings and sustained rental growth, offset by the impact of disposals made in the year.

The efficiency programme we implemented in 2017 has delivered our targeted cost savings of £5 million by streamlining processes and procedures as a result of our student insight, PRISM and scale efficiencies. These savings have ensured that we delivered our NOI margin and overhead efficiency target in 2018 whilst enhancing service. Management fee income from joint ventures was £15.6 million (2017: £18.4 million), as a result of recurring management fees of £13.2 million and one-off fees of £2.4 million (2017: £14.1 million and £4.3 million). We have introduced a new target to achieve an EBIT margin of 74% by the end of 2021. This target replaces previous efficiency targets and the improvement from the current level of 7 % will be driven by tight cost control whilst growing the scale of the portfolio.

Finance costs decreased to £40.0 million (2017: £45.2 million). An increase in net debt at the end of the year of £53 million to £856 million (2017: £803 million) was offset by a lower average cost of finance of 3.8% (2017: 4.1%) as we have added new debt facilities at lower average rates, taking advantage of the historically low cost of debt. The increase in net debt was skewed towards the end of the year, driven largely by spend on development activities which has, in turn, led to an increase to £10.5 million in the amount of interest that is *capitalised into development schemes, up* from £7.4 million in 2017. We expect the level of interest capitalisation to remain at around this level given the ongoing level of development activity in 2019 and 2020. Development (pre-contract) and other costs grew to £5.8 million (2017: £4.6 million), reflecting the levels of site acquisition, the earnings impact of share based incentives and our contribution to our charitable trust, *the Unite Foundation*.

Occupancy, reservations and rental growth

Occupancy across Unite's portfolio for the 2018/19 academic year stands at 98% and like-for-like rental growth of 3.2% was achieved on our portfolio. We have maintained the proportion of beds let to Universities, with 60% of rooms under nominations agreements (2017/18: 60%).

76% of these agreements, by income, are now multi-year and therefore benefit from annual RPI-linked uplifts, up from 71% in 2017. The remaining agreements are single year and we again achieved a renewal rate of over 95% on these agreements. By improving the length and quality of these agreements, income from nominations agreements has grown by 5.3% year on year as a result of improvements in mix and geographical location, and gives us *increasing confidence over our rental growth* outlook. Enhanced service levels and our extensive understanding of student needs have driven the longer-term nature and more robust partnerships with Universities. The unexpired term of the agreements is six years, in line with 2017.

Summary EPRA income statement

	2018 £m	2017 £m
Rental income	188.3	[illegible]
Property operating expenses	(48.0)	(44.3)
Net operating income (NOI)	140.3	[illegible]
NOI margin	75%	74%
Management fees	15.6	[illegible]
Operating expenses	(21.7)	(24.6)
Finance costs	(40.0)	(45.2)
[illegible]	–	4.3
Development and other costs	(5.8)	(4.6)
EPRA earnings	88.4	[illegible]
EPRA EPS	34.1p	30.3p
EBIT margin	71%	68%

A full reconciliation of profit before tax to EPRA earnings is shown in note 2.2 of the financial statements.

UNDERSTANDING OUR CUSTOMERS' NEEDS

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Our highest priority is always the safety of our students.

Each year we evaluate the customer journey, from a first enquiry about booking with us to beyond University. We gather feedback about how each process works with our students to inform our innovation.

From feedback, we know that in the last year we have had a 33% reduction in call centre calls, and 53% of students opted to check-in online, a new service we introduced in 2018. This shows that students are increasingly interested in communicating digitally. We partner with YouthSight, offering insight from 130,000 16–30-year-olds, and we conduct annual customer satisfaction surveys, all of which show us what our students require from us, shaping us into the accommodation provider they want.

39%

reduction in call centre calls in the past year

53%

of students opted to check-in online, a new service we introduced in 2018

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OPERATIONS REVIEW CONTINUED

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

Agreement length	Beds	2018/19 income	2017/18 income
Single year	7,543	24%	29%
2–10 years	10,437	49%	44%
11–20 years	4,026	4%	14%
21+ years	4,099	13%	13%
Total	29,105	[illegible]	100

Reservations for the 2019/20 academic year are encouraging, at 75%, in line with the same point last year, as a result of our continued focus of working alongside the UK's best Universities, the success of our online marketing strategy and further progress through our local marketing operation in China.

We have good visibility over rental growth for the 2019/20 academic year with the nominations agreements in place, locking in to an uplift of 3-4%. In addition to this, our re-bookers, non-EU international and postgraduate students, who have more predictable booking patterns and *are less affected by UK Government funding*, make up a further 30% of our income. Through our utilisation activity, we can generate a further 3% of income with a high degree of confidence. This leaves only 9% of our income and rental growth exposed to less predictable first-time UK and EU undergraduate customers.

Our strategy of working alongside the UK's best Universities, together with our operational and sales focus, provides us with confidence of again *delivering rental growth* in 2019/20, in the region of 3.0-3.5%.

Home for Success

With the value of Higher Education increasingly under scrutiny, the role of accommodation in shaping students' University experience is increasingly recognised. Against this backdrop, during 2018 we continued to drive student advocacy and our reputation with Universities through sustained but disciplined investment in our purpose, Home for Success. Our success *was reflected in record results in our annual* surveys of student satisfaction and University reputation respectively.

In building Home for Success, we successfully harnessed the power of our PRISM operating system and other proprietary digital platforms to simultaneously improve our students' *experience and drive operational efficiencies*. We aim to offer a mid-range price point compared to other providers of purpose-built student accommodation and a high-quality service offering.

Our student proposition brings together properties designed for today's student with the services *they want. Both are delivered by 1,500 highly* committed employees with a passion for looking after students. Our status as a Living Wage *Employer and the prestigious Investors in People* Gold Standard accreditation reflects a sustained focus on recruiting, retaining and developing the very best people. Their experience, combined with our long-standing investment in research, *provides a granular understanding of what* matters most to students and helps us deliver a living environment that enables all students *to get the best out of University.*

As part of this **commitment**, during **2018** we continued to **invest in our market-leading** student welfare services. In particular, we focussed on making the sometimes challenging transition to University as smooth as possible. Our uChat *feature of the MyUnite app was used by the* majority of users of the app, allowing them to meet their future flatmates before arriving at *University, helping to alleviate one of the most* common sources of pre-arrival anxiety. Our new online check-in made the sometimes fraught experience of arriving and moving in as hassle free as possible and, as our record *customer satisfaction score shows*, helped ensure our students feel welcome. Once students do arrive, we have teams of student *ambassadors, usually second or third-year* students, on hand to answer questions, show new arrivals their rooms and provide valuable **peer-to-peer support** at critical **points in their journey through University**. Our **comprehensive** welcome communications direct students to information about their new home, including local amenities and entertainment, as well as *our online Common Room where our teams of* student writers give peer-to-peer advice such as tips on budgeting, living with friends, wellbeing information and other topics our students have highlighted as being useful. The digital welfare guides delivered through the Common Room were viewed by 84% of our students.

A recent report by the NUS vividly illustrates the potential impact of accommodation on students' welfare and wellbeing. In a year when mental health came under the spotlight we continued working to ensure both our properties and services are designed to help students navigate successfully the challenges that University life can bring. Our research *consistently confirms the importance of social* interaction and integration. Therefore, using a property in Leeds as a test bed, we have piloted *numerous design innovations to help make social* interaction as easy as possible for all students. 1,000 members of our teams have received training in mental health awareness and active listening. Dedicated welfare leads in all our cities and a central team of specialists mean that we are able to work closely with our University partners to identify students who *may be struggling and ensure they get the* support they need as quickly as possible. As well as our 24/7 emergency contact centre we provide links to third party wellbeing and mental health services, such as Nightline

A range of digital and more traditional sales channels now enables UK and international students alike to reserve their room in the way that suits them best, dramatically reducing the average time from booking to completion and making short-term bookings easier. The My Unite app, which is now used by 89% of our students, delivers a wide range of useful pre-arrival information and has helped reduce arrival-related calls to our customer care centre by some 39%. A new app-based check-in feature makes the experience of arriving at University smoother and more efficient for both students and our people. Last October, it was used by 53% of our students as they arrived for the start of a new academic year and we aim to roll it out further in 2019.

During the year, we also launched a series of activities designed to raise awareness and understanding of University life amongst sixth-formers and their parents. These included a series of branded PR campaigns which used a combination of digital and traditional media channels to help young people prepare for University and the pilot of Leapskills, a carefully designed training programme to instil valuable life skills and emotional resilience. By the end of the year, we delivered this programme to 1,000 students in over 40 schools. We are currently exploring a wider roll-out of the programme with the development of a digital variant of the training.

Our investment in technology is also helping ensure that we are on hand to help when students need us. In these situations too, technology has helped deliver a virtuous circle of improved service and greater efficiency. For example, during the year we conducted, in many cases via our network of Student Ambassadors, over 100,000 webchats, driving in the process a 39% reduction in calls to our customer service centre and a satisfaction rating of 95%. Our recently introduced digital platform for the booking, scheduling and monitoring of maintenance requests helped our Estates team deliver a first time fix in 84% of cases.

Home for Success and our commitment to students extends to life beyond University. Our research confirms that employability remains a key driver of student satisfaction. As such, during 2018, we stepped up our investment in Placer, a new work experience and job-finding app which has been developed as a joint venture partnership with the National Centre for Universities and Business and digital education specialists, Jisc. To date, some 230 employers including some of the UK's largest businesses have signed up to the platform, offering over 17,000 work experience and graduate roles.

Home for Success is about helping all young people unlock the opportunities that Higher Education offers, regardless of their background. During 2018, we therefore continued to support IntoUniversity, a national non-profit organisation focussed on helping young people from disadvantaged backgrounds gain access to Universities; and the Unite Foundation, a well-funded charitable scholarship scheme for care leavers and young people estranged from their families. The Foundation works in partnership with 27 Universities, for whom it forms an important part of their efforts to widen participation, and in this academic year is providing support for over 200 students. These social investments complement a wide range of grass roots charitable activity, community engagement and employee volunteering initiatives. Together with programmes to drive deeper levels of diversity and inclusion and reduce waste and energy use across our organisation, they form a key cornerstone of our Up to uS responsible business programme.

17,000
work experience and graduate roles.

95%
satisfaction rating.

Our EPRA NAV growth of 70pps reflects the strength of our portfolio and high quality development pipeline. We will continue to optimise our portfolio through a mixture of disposals, acquisitions and new development.

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Nick Hayes
Group Property Director

EPRA NAV growth

EPRA NAV per share increased by 10% to 790 pence at 31 December 2018, up from 720 pence at 31 December 2017. In total, EPRA net assets were £2,085 million at 31 December 2018, up from £1,740 million a year earlier.

The main factors behind the 70 pence per share growth in EPRA NAV per share were:

— The growth in the value of the Group's share of investment assets (+45 pence), as a result of rental growth (+20 pence) and yield compression (+25 pence)

— The value added to the development portfolio (+13 pence)

— The positive impact of retained profits after dividends paid (+10 pence)

— The impact of the share placing (+3 pence).

Looking forward, our portfolio is well placed to deliver continued value growth. Our focus on the strongest University locations underpins rental growth prospects and we will continue to deliver meaningful upside from our development activity. In total, our secured pipeline is expected to deliver around 45 to 55 pence per share of NAV uplift and, together with future rental growth and planned disposals, 13 to 17 pence of earnings per share once completed.

Property portfolio

The valuation of our property portfolio at 31 December 2018, including our share of gross assets held in USAF and LSAV, was £2,967 million (31 December 2017: £2,595 million). The £372 million increase in portfolio value (Unite share) was attributable to:

— Valuation increases of £163 million on the investment and development portfolios, with like-for-like rental growth of 3.2% and yield compression of 15 basis points

Capital expenditure on developments of £248million and £25 million on investment assets relating to refurbishment

— Acquisitions of £6 million and disposals of £85 million

— Increased share of USAF of £15 million, as a result of the performance fee earned in 2017 and acquisitions of units purchased in the secondary market.

The proportion of our property portfolio that is income generating is 90%, in line with December 2017, with 10% under development. We will continue to manage the development weighting of our balance sheet and expect it to remain at around these levels, well within our internal cap of 20% going forward.

Summary balance sheet

	2018 £m			2017 £m		
	Wholly owned £m	Share of Fund/JV £m	Total £m	Wholly owned £m	Share of Fund/JV £m	Total £m
Rental properties	**1,497**	**1,188**	**2,685**	1,261	1,118	2,379
Properties under development*	**279**	**3**	**282**	206	10	216
	1,776	**1,191**	**2,967**	1,467	1,128	2,595
Adjusted net debt	**(471)**	**(385)**	**(856)**	(462)	[illegible]	(803)
Other assets/(liabilities)	**(14)**	**(12)**	**(26)**	(35)	[illegible]	(52)
EPRA net assets	**1,291**	**794**	**2,085**	970	770	1,740

* A reconciliation from the IFRS balance sheet to EPRA net assets is shown in section 3 of the financial statements.

LONDON FOCUS

With our recent acquisitions, including First Way in Wembley and Middlesex Street in Aldgate, London continues to be a growing area of our portfolio.

The 678 beds in First Way will add to our existing 700 beds in Olympic Way to offer a meaningful hub in Wembley, offering more affordable accommodation and enabling us to drive further operating efficiencies.

A number of opportunities are being evaluated to ensure a high-quality portfolio is aligned to the strongest Universities where intake continues to grow. 60% of our London bed-stock is currently under nominations agreements with 14 partner London institutions. On completion of our development and University partnership pipeline, as well as planned acquisitions and disposals, 91% of our portfolio will align with mid- to high ranking Universities.

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678

678-bed forward-funded development in Wembley for delivery in 2020.

60%

of our London bed-stock is currently under nominations agreements with 14 partner London institutions

PROPERTY REVIEW CONTINUED

Unite investment portfolio analysis at 31 December 2018

		USAF	LSAV	Wholly owned	Lease	Total	Unite share
London	Value (£m)	369	977	500		**1,846**	**1,082**
	Beds	1,870	5,783	1,493	260	**9,406**	**40%**
	Properties	6	12	6	1	**25**	
Major provincial	Value (£m)	598		298	-	**896**	**449**
	Beds	5,344	-	2,678	618	**8,640**	**17%**
	Properties	18	-	7	2	**27**	
Provincial	Value (£m)	1,062	266	409	-	**1,737**	**811**
	Beds	[illegible]	3,067	[illegible]	[illegible]	**23,203**	**30%**
	Properties	34	1	10	4	**49**	
Total	**Value (£m)**	**2,241**	**1,242**	**1,497**		**4,981**	**2,685**
	Beds	23,499	8,850	[illegible]	[illegible]	**48,815**	**100%**
	Properties	66	13	33	10	**122**	
Unite ownership (£m)		**567**	**621**	**1,497**	**-**	**2,685**	

Student accommodation investment market

The overall market for purpose built student accommodation is estimated to be over £50 billion. Around half of this value is owned by Universities and the remainder by private operators. Whilst investor demand for high-quality well-located student accommodation remains high, the level of transactions in the student accommodation sector in 2018 has reduced slightly from the record levels in 2016 and 2017. However, with over £3 billion of assets trading during the year, there are continuing levels of high demand for good-quality assets and portfolios and the reduction is largely the product of less stock coming to market after a few years of unusually high levels of activity.

As a result of ongoing investor appetite and subsequent transactions, there has been a modest level of yield compression across the sector. This movement has been most notable in London and a small number of markets aligned to the highest ranking universities, where there has been the strongest level of demand for assets. The buyers of assets are generally international and are either adding to existing platforms or are new to the sector. We are still seeing high levels of interest for any assets that are brought to market.

This market activity has resulted in yield compression that has been reflected in our portfolio and the average yield at 31 December 2018 was 5.0% an inward movement of 15 basis points on a like-for-like basis over the year.

Indicative valuation yields

	31 December 2018	31 December 2017
London	**4.0-4.25%**	4.25-4.5%
Prime provincial	**4.5-5.0%**	4.75-5.25%
Major provincial	**5.0-5.5%**	5.0-5.5%
Provincial	**6.0-6.5%**	6.0-6.5%

Buildings designed for students

The focus of our property activity is to provide buildings designed specifically around the needs of today's student, in the best locations alongside high-performing universities. We involve our University partners in the design and planning process to ensure that we are delivering buildings that meet the requirements of their students. We also aim to provide value-for-money accommodation and look to continually enhance the specification of our estate, using technology to enhance customer service and drive efficiency savings through energy and water savings, enhanced Wi-Fi speeds and new features to improve the living experience. The location within cities is critically important and this is one of the key factors in our investment/divestment decision-making process. This was evidenced by the sale of 3,400 beds in 2018 that resulted in us exiting two markets and repositioning our portfolio in four other cities to reduce our concentration in these locations. Our development and portfolio activity is designed to support this strategic approach to ensure that the portfolio is best placed to drive full occupancy and rental growth in the medium term.

Pipeline activity

We have expanded our pipeline activity throughout 2018 and this activity continues to be a significant driver of growth in future earnings and NAV. Alongside our core development activity, we are increasingly focussing on University partnerships and forward-fund developments, adding two significant new schemes in London during the year. The first of these schemes is a 960 bed University partnership scheme close to the City of London and the second a 678-bed forward-funded development in Wembley.

The development market continues to present interesting opportunities to us and we are tracking a range of schemes that deliver our target returns in both London and in the regions. We are taking a disciplined approach whilst the uncertainty around Brexit remains and are, where possible, looking to de-risk schemes by either utilising option agreements, passing on development risk or underwriting occupancy through University guarantees. We expect to add to our pipeline during 2019 and maintain a run rate of 1,500-2,500 new beds per annum.

We have contractually fixed our exposure to construction costs on all schemes completing in 2019 and 2020 and have brought forward the procurement of all critical items supplied from European countries on our 2019 completions.

2018 and 2019 completions

We completed 3,074 beds across seven new schemes during 2018 in line with budget and programme, achieving 98% occupancy in the first year of operation. Over 50% of these beds are let to Universities under nominations agreements for the 2018/19 academic year, with an average duration of 10 years, showing the strength of our relationships with our partner Universities.

The 2019 pipeline is progressing well. We are on track to deliver two wholly owned schemes in Oxford and Liverpool and, in USAF, a forward-funded development in Birmingham, adding a total of 2,390 beds. We expect all of the schemes to be fully let for the 2019/20 academic year with around 70% of the beds let under long-term University agreements with high quality Universities.

Development pipeline

During the year we have continued to add to our pipeline and have a total of three schemes secured, which are expected to deliver approximately 2,209 beds in addition to our ongoing 2019 projects. One of these schemes is a 678-bed development in Wembley on a forward-funded basis. This scheme will be delivered in 2020 and will add to our existing building in Wembley to create an efficient operating hub in this area, providing over 1,000 beds at more affordable rents. We have also added a further 50 beds to the scheme in Leeds through our positive relationship with the local planning authority. All new regional developments are being undertaken on a wholly-owned basis and prospective returns for the secured pipeline remain in line with our target returns.

We have continued to encounter challenges to secure a planning consent for our Old BRI site in Bristol. Following consultation with the local authority, we expect to submit an application to build around 370 beds, with the remainder of land being sold for residential development. As a result of ongoing discussions with the University of Bristol, we now expect to deliver this as a University partnership scheme and for it to deliver returns of around 6.2%.

Secured forward-fund pipeline (USAF)

USAF completed two forward fund assets in Durham in 2018, creating operational scale in the city and enabling us to start building our relationship with Durham University. The remaining scheme in Birmingham is on track for delivery in the summer of 2019 and we expect to secure a nominations agreement on this building in due course. Following the disposals in 2018, USAF has around £100 million of acquisition capacity which it intends to invest in 2019.

University partnerships

In addition to growing the number of beds and the value of income underpinned by University-backed nomination agreements, we have made further progress with our strategy of delivering ongoing growth through partnerships with Universities. Following our first on-campus acquisition of the entire Aston University accommodation in 2017, we secured two further University partnership schemes in 2018.

First, we acquired the former Cowley Barracks in Oxford. Working with Oxford Brookes University, we secured planning permission to build 887 beds and agreed terms for a 25-year nominations agreement with the University, taking our partnership with them to over 1,250 beds. The scheme is progressing well and is on track to be opened in the summer.

We continue to make good progress with our new scheme in Middlesex Street, E1. Working with King's College London, we will submit a planning application to build around 960 beds of cluster-flat accommodation in the next few months.

Since the year end, we have exchanged contracts, providing us with an option to acquire a plot of land in Bristol close to the University of Bristol. This scheme is expected to be developed as a University partnership scheme given its proximity to the University of Bristol. We will submit planning later this year and expect to deliver 650 beds in 2022.

PROPERTY REVIEW CONTINUED

Through our Higher Education Engagement team, we are continuing to hold active discussions with around 10 Universities, exploring a range of different options including further off-campus developments, stock transfer and third party management arrangements. We expect to add one or two new deals per year as previously outlined.

		Secured beds No	Total completed value £m	Total development costs £m	Capex in period £m	Capex remaining £m	Forecast NAV remaining £m	Forecast yield on cost %
Wholly owned								
2019 completions								
Skelhorne Street	Liverpool	1,085	[illegible]	74	30	19	8	8.0%
2020 completions								
Tower North	Leeds	928	[illegible]	81	23	55	16	[illegible]
First Way	London	678	122	102	39	63	9	6.0%
New Wakefield Street	Manchester	603	[illegible]	56	8	39	14	8.2%
Total wholly owned		**3,294**	**402**	**313**	**100**	**176**	**47**	**7.6%**
University partnerships								
2019 completions								
Cowley Barracks	Oxford	[illegible]	98	[illegible]	[illegible]	[illegible]	4	5.5%
2021 completions								
Old BRI*	Bristol	[illegible]	[illegible]	39	2	25	12	6.2%
Middlesex Street*	London	[illegible]	250	[illegible]	7	[illegible]	57	6.3%
2022 completions								
Temple Quay	Bristol	[illegible]	[illegible]	[illegible]		[illegible]	18	6.2%
Total University partnerships		**2,867**	**495**	**382**	**66**	**303**	**91**	**6.3%**
USAF								
2019 completions								
Battery Park	Birmingham	418	43	38		29	2	6.3%
Total USAF		**418**	**43**	**38**	**-**	**29**	**2**	**6.3%**
Unite share of USAF		**418**	**11**	**10**	**-**	**10**	**1**	**6.3%**
Total pipeline (Unite share)		**6,579**	**908**	**705**	**166**	**486**	**139**	**7.0%**

* Subject to obtaining planning consent

Asset disposals

Focussing our portfolio alongside high-quality Universities remains an important part of our strategy. Our ongoing disposal programme supports our development and acquisition activity to achieve this aim. During the year, we sold a portfolio of 14 properties, comprising 3,436 beds for £180 million, of which Unite's share is £85 million. The portfolio was made up of assets located in Plymouth, Huddersfield, Sheffield, Birmingham, Bristol and London. As a result of the disposal, we no longer have a presence in Plymouth and Huddersfield enhancing longer-term rental growth prospects and the efficiency of the portfolio.

We will continue to recycle assets in the portfolio to maintain our focus on quality and to maintain capital discipline as we pursue further growth opportunities. The Group's committed development pipeline requires further capital expenditure of £486 million. In order to fund this expenditure and manage leverage and headroom for further opportunities, the Group intends to sell assets of around £100-£150 million in 2019 (Unite share). This will allow us to maintain leverage at around 35%, net debt:EBITDA ratio at between 6 to 7 and an interest cover ratio in excess of 3 times.

A sustainable business

We continue to invest in the portfolio to maintain our buildings to a high standard and to take advantage of asset management opportunities. As part of this activity, we see opportunities to enhance the efficiency of our buildings through energy saving initiatives. Over the course of the last five years, we have invested £30 million into energy saving initiatives such as LED lighting, smart building controls, solar panels and air source heat pumps, with payback of under five years on these investments. We have developed an award-winning customer engagement programme, working closely with the National Union of Students, to encourage students to act in an environmentally friendly manner. We also purchase 100% renewable energy. The energy, water and carbon reductions from these initiatives have delivered significant savings that support our margin improvements.

Alongside our focus on our environmental impact, we believe strongly in supporting Universities to widen participation into Higher Education. The Unite Foundation works in partnership with 27 Universities to provide support to students from challenging backgrounds.

These improvements, along with other aspects of our Up to uS Responsible Business Strategy, have helped us maintain GRESB Green Star status and a 4-star rating and are reflected in other ESG assessments, including an 'AA' rating from MSCI ESG and listings on the FTSE4Good Index and the GPR/PCM LFFS Sustainable GRES index.

Our confidence in our earnings outlook has led us to increase our dividend pay-out to 85% of EPRA earnings in 2018.

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Joe Lister
Chief Financial Officer

Income statement and profit measures

A full reconciliation of Profit before tax to EPRA earnings measures is set out in summary below and expanded in section 2 of the financial statements

	2018 £m	2017 £m
EPRA earnings	**88.4**	[illegible]
Valuation gains and profit on disposal	**153.6**	[illegible]
Changes in valuation of interest rate swaps and debt break costs	**(0.1)**	[illegible]
Minority interest and tax included in EPRA earnings	**3.9**	[illegible]
Profit before tax	**245.8**	224.4
EPRA earnings per share	**34.1p**	[illegible]
Basic earnings per share	**90.8p**	[illegible]

The increase in profit before tax is primarily the result of a higher level of EPRA earnings of £88.4 million being recognised in 2018 compared with the £70.5 million recognised in 2017 and a lower valuation uplift in 2018 compared to 2017.

Cash flow, net debt and leverage

The Operations business generated £81.2 million of net cash in 2018 (2017: £63.2 million) and net debt increased to £856 million (2017: £803 million). The key components of the movement in net debt were the operational cash flow, the share placing and the disposal programme (generating total inflows of £275 million) offset by total capital expenditure of £252 million and dividends paid of £63 million. In 2019, we expect net debt to increase as capital expenditure on investment and development activity will exceed anticipated asset disposals.

Dividend

We are proposing a fully covered final dividend payment of 19.5 pence per share (2017: 15.4 pence), making 29.0 pence for the full year (2017: 22.7 pence). The final dividend will comprise a Property Income Distribution (PID) of 16.0 pence and a non-PID element of 3.5 pence.

Subject to approval at Unite's Annual General Meeting on 9 May 2019, the dividend will be paid in either cash or new ordinary shares (a "scrip dividend alternative") on 17 May 2019 to shareholders on the register at close of business on 12 April 2019. The last date for receipt of scrip elections will be 25 April 2019.

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

As a result of the quality, predictable earnings outlook for the business, we are planning to maintain our dividend payout at 85% of EPRA earnings.

Tax

As a REIT, the Group is exempt from UK corporation tax on its property rental business. Despite being a REIT, we are subject to a number of other taxes in the same way as non-REIT companies. During the year, we incurred £3.9 million of corporation tax relating primarily to profits on our property management activities (2017: £1.5 million).

A deferred tax asset relating to tax adjusted losses carried forward of £1.3 million is being recognised against future profits arising to the Group. The deferred tax liability relating to unrealised gains on joint venture investments of £24.4 million, which are not exempt from tax, exceeds the remaining deferred tax asset relating to tax adjusted losses carried forward of £9.9 million. As the losses can be set against gains as they arise, the deferred tax asset relating to the losses can be recognised in full against deferred tax liabilities.

The Finance Act 2019 will result in the reversal of the deferred tax liability of £24.4 million on investments in units and corresponding deferred tax asset of £9.9 million on losses, resulting in a £14.5 million increase in net asset value.

Share placing

We completed a placing of 22.2 million new ordinary shares in February 2018 at a price of 765 pence per share, raising gross proceeds of £170 million. The proceeds were used to invest in two new university partnership schemes, located in Oxford and London.

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Corporate governance p52–99
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Other information p156–160

FINANCIAL REVIEW CONTINUED

Debt financing

The Group has continued to maintain a disciplined approach to managing leverage with LTV of 29% at 31 December 2018 at the lower end of our target range. The Unite Group plc has maintained an investment grade corporate rating of BBB from Standard & Poor's and Baa2 from Moody's reflecting the strength of Unite's capital position, cash flows and track record. The credit rating underpinned a £275 million issue of unsecured 10-year bonds that will reduce the average cost of debt to 3.6% when fully drawn.

Key debt statistics (Unite share basis)

	2018	2017
Net debt	£856m	[illegible]
LTV	29%	31%
Net debt:EBITDA ratio	6.1	[illegible]
Interest cover ratio	3.4	2.6
Average debt maturity	5.8 years	5.3 years
Average cost of debt	3.8%	4.1%
Proportion of investment debt at fixed rate	99%	[illegible]

LTV improved to 29% at 31 December 2018, from 31% at the end of 2017 as a result of the value growth of the portfolio exceeding the increase in net debt. We will continue to manage our gearing proactively and intend to maintain our LTV around the mid 30% level going forward assuming current yields. With the greater focus on earnings we are also monitoring our interest cover ratio which is 3.4 times covered, having increased from 2.6 times covered in 2017. Our net debt to EBITDA ratio remained within our target range of between 6 and 7 in 2018.

Interest rate hedging arrangements and cost of debt

Our cost of debt has come down to 3.8% (2017: 4.1%). Following the shift to an unsecured structure, there is an opportunity to further reduce the cost of debt over time as we add new debt to build out the development pipeline, replacing expensive legacy facilities. The Group has 99% of its share of investment debt subject to a fixed interest rate (2017: 80%) for an average term of 5.8 years (2017: 5.3 years).

Amendments to IFRS

A number of new standards and amendments to standards have been issued but are not effective as at 31 December 2018. The most significant of these is IFRS 16 Leases (effective from 1 January 2019). The new standard will create a right-of-use asset and a liability for the future minimum lease payments. This standard will have the biggest impact on our sale and leaseback portfolio which comprises 3,147 beds across 10 properties. These properties were sold by the Group between 2004 and 2009 to institutional investors and simultaneously leased back by the Group. The properties have income secured by nomination agreements to offset the lease payment to the institutional owners.

On transition, net asset value is expected to increase by £10-£15 million. More detailed explanation is included in note 1.

Funds and joint ventures

The table below summarises the key financials for each vehicle

	Property assets £m	Net debt £m	Other assets £m	Net assets £m	Unite share of NAV £m	Total return	Maturity	Unite share
Vehicle								
USAF	2,253	(562)	(31)	1,660	423	7.5%	Infinite	25%
LSAV	1,242	(486)	(14)	741	370	9.9%	2022/2027	50%

USAF and LSAV have continued to perform well in 2018. LSAV's higher total return is driven by stronger yield compression in London. USAF has around £100 million of acquisition capacity and will continue to monitor acquisition opportunities. The secondary market for USAF units continues to operate effectively with £48 million of units trading in 2018 at a small premium to NAV.

There have been no redemption requests from investors and Unite owns 25% of the fund.

Fees

During the year, the Group recognised net fees of £15.6 million (2017: £18.4 million) from its fund and asset management activities as follows.

	31 December 2018 £m	31 December 2017 £m
USAF		
Asset management fee	**10.2**	10.1
Acquisition fee	**-**	0.4
Net performance fee	**-**	3.4
LSAV		
Asset and property management fee	**3.0**	4.0
Acquisition fee	**-**	0.5
Unite		
Third party short term management of disposal assets	**2.4**	
Total fees	**15.6**	18.4

The recurring asset management fees from USAF and LSAV have reduced as a result of disposal activity in 2017 and 2018, outstripping the valuation growth in the portfolios under management.

RESPONSIBLE BUSINESS REVIEW

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Joe Lister
Chief Financial Officer

At Unite Students we are committed to delivering our three brand promises – feeling safe and secure, getting settled in and being there when you need us.

Read more about **Our brand promises on page 07.**

Our Up to uS programme sets out how we operate as a responsible business, supporting our Home for Success purpose. This means we believe in acting responsibly and sustainably in all aspects of our business. We work to make a difference in areas as diverse as environmental impact, diversity, affordability, mental health and wellbeing.

Our approach focuses on four areas – looking after the interests of our customers, investors and partners; reducing our environmental impact; creating diverse and engaged teams and delivering a positive social impact for young people and the communities we work in.

You can read more about how we engage with our stakeholders on pages 08 and 09.

It's more than just having a responsible business policy or reporting ESG data, it's about how we all contribute to creating an all-round sustainable business, both now and in the future.

Our CFO, Joe Lister, chairs our quarterly Up to uS Committee, bringing together senior leaders to coordinate and oversee our approach and initiatives, and also managing sustainability-related risks and opportunities.

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Further details of Up to Us can be found on our website, and we'll be publishing a stand-alone Up to Us report later this year. This will provide more detail including our position on the UN Sustainable Development Goals (UN SDGs), and specific ESG disclosures including GRI Standards, TCFD and EPRA sBPR. Ahead of this, an overview of our Up to Us strategy and key facts are outlined on page 44.

Creating diverse and engaged teams

We want to continue to be a great place to work, and we are committed to continuing improvement to ensure this. In 2019, we retained our Investors in People Gold accreditation, the hallmark of diverse, people-focused businesses. We have also introduced a new employee opinion survey, conducted 3–4 times a year. This allows us to take a regular pulse of employee satisfaction, and implement positive change quickly, on a constant review basis.

2018 has built on the foundations created by our Diversity & Inclusion action group launched in 2017. Following the development of a comprehensive road map of activity priorities we're focused on the successful launch of our first two network groups.

Our women's network group was launched in March followed by the launch of our LGBT network in October. The focus of these groups is to provide a platform for employees to support and connect with each other. So far we have more than 140 employees involved across the groups.

Non-financial information statement

Reporting requirement	Policies and due diligence/outcomes and references
Colleagues	Group Health and Safety Policy Employee Handbook Equality, Diversity and Inclusion policy Trans and gender identity policy Whistleblowing policy Directors' Remuneration Report ⊕ Read more about **Colleagues on page 49**
Environmental matters	Environment policy Statement on carbon reduction target ⊕ Read more about **Environmental matters on page 47**
Human rights	Unite Group code of ethics Modern Slavery statement Data Protection Policy ⊕ Read more about **Human rights on page 46**
Social matters	Up to Us strategy Volunteering Policy Fundraising guidelines Charity Policy including matched giving ⊕ Read more about **Social matters on page 49**
Anti-corruption and bribery	Anti-bribery policy ⊕ Read more about **Anti-corruption and bribery on page 46**
Description of principal risks and impact of business activity	⊕ Read more about **Description of principal risks and impact of business activity on page 28 to 31**
Description of the business model	⊕ Read more about **Description of the business model on page 12**
Non-financial key performance indicators	⊕ Read more about **Non-financial key performance indicators on page 23**

RESPONSIBLE BUSINESS REVIEW CONTINUED

Gender diversity

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We are committed to treating individuals with respect and dignity. To foster this approach among our employees we have made Diversity & Inclusion e-learning mandatory. Similarly we recognise unconscious bias leads people to make assumptions or decisions that do not align with our values and Home for Success purpose so we have developed face-to-face training and e-learning to help our colleagues uncover their unconscious bias so we can continue to grow as a diverse and inclusive organisation.

We are committed to a policy of equal opportunities in all aspects of recruitment regardless of age, sex, marital status, sexual orientation, religion, race, colour, ethnic origin and disability. We aim to ensure equality of opportunity in all our activities, and have a positive attitude towards equality of employment. We give full and fair consideration to all applicants for employment of disabled persons which are assessed in accordance with their particular skills and abilities. We do all that is practicable to meet our responsibilities towards the employment *of disabled people and to ensure that* training, career development and promotion opportunities are available to all employees.

We strive to ensure Unite Students is a place where both our employees and students can truly be themselves. For us, Pride embodies this and we are proud sponsors of Bristol Pride in 2017, 2018 and 2019. In 2018 we joined thousands of people to show our support and inclusivity with our 'Room for Everyone' theme.

Health and safety has always been an integral part of our business, and we now reflect that in our *Safe* and *Secure* brand promise.

All employees must complete mandatory health and safety training appropriate for their *role and related to the properties they work in.* We regularly run employee communications campaigns across a range of key areas, including personal responsibility, fire safety and student welfare, with a particular focus on mental health and wellbeing. You can read about our Health and Safety activities, including student campaigns, in the Health and Safety Committee Report on page 72.

We believe human rights are universal and recognise that the UN Guiding Principles on Business and Human Rights set a standard of conduct expected of companies. We do our best to ensure that everyone involved or associated with our business is protected, treated fairly and subject to our anti-bribery and corruption, health and safety, anti-slavery and other policies, including those covering data protection, performance management, flexible working, grievances, leave, and equality and diversity.

It is important our employees act with the utmost integrity. We also require our suppliers to have the same robust policies and procedures. To ensure these standards are maintained, we implement mandatory anti-bribery and corruption training for all employees on an annual basis.

Reducing our impact on the environment

We focus on three key areas to reduce our environmental impact: good management of utilities and environmental issues, enabling and encouraging responsible behaviour and creating efficient buildings. This has allowed us to deliver energy efficiency improvements year after year, and support c.50,000 students each year to adopt lasting sustainable habits. We are also reporting our performance transparently, disclosing extensive data and information under the Global Real Estate Sustainability Benchmark (GRESB) and CDP since 2012. In addition, we are listed on the FTSE4Good index, and are aligning with the GRI Standard. Using this approach, we've continued to make significant improvements in our energy and carbon performance.

Carbon

Estate data

	2018			[illegible]			[illegible]		
	Data	Change vs prior year		[illegible]	[illegible]		[illegible]	[illegible]	
[illegible]	51,850	-4.47%	Decrease	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	48,083	-2.92%	Decrease	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	1,373,548	0.38%	Increase	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Energy & water use

		2018			[illegible]			[illegible]		
		Consumption	Change vs prior year		Consumption	Change vs prior year		Consumption	Change vs prior year	
Electricity	[illegible]	109,358,074	-6.0%	Decrease	116,336,115	3.4%	[illegible]	[illegible]	1.4%	[illegible]
	[illegible]	2,274	-3.2%	Decrease	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible] (kWh/m²)	79.6	-6.4%	Decrease	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	36,398,044	18.2%	Increase	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	757	21.7%	Increase	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible] (kWh/m²)	26.5	17.7%	Increase	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Water	[illegible] (m³)	2,335,133	7.8%	Increase	[illegible]	[illegible]	Decrease	[illegible]	[illegible]	[illegible]
	[illegible]	49	11.0%	Increase	[illegible]	9.4%	Decrease	[illegible]	[illegible]	[illegible]
	[illegible]	1,700	7.4%	Increase	[illegible]	8.5%	[illegible]	[illegible]	[illegible]	[illegible]

Greenhouse gas emissions

		2018			[illegible]			[illegible]		
		Emissions	Change vs prior year		Emissions	Change vs prior year		Emissions	Change vs prior year	
[illegible] Scope 1 emissions	[illegible]	6,904	13.3%	Increase	[illegible]	4.6%	[illegible]	[illegible]	[illegible]	Increase
	[illegible]	143.6	16.7%	Increase	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	5.0	12.9%	Increase	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible] Scope 2 emissions (location based)	[illegible]	32,857	-22.6%	Decrease	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible] ($kgCO_2e$/bed)	683	-20.3%	Decrease	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	23.9	-22.9%	Decrease	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	1,901	-90.2%	Decrease	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	39.5	-89.9%	Decrease	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible] ($kg CO_2e/m^2$)	1.4	-90.3%	Decrease	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible] ($tonnes CO_2e$)	39,761	-18.1%	Decrease	[illegible]	[illegible]	[illegible]	[illegible]	8.0%	[illegible]
	[illegible]	826.9	-15.6%	Decrease	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible] ($kg CO_2e/m^2$)	28.9	-18.4%	Decrease	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible] Scope [illegible]	[illegible]	8,805	-65.5%	Decrease	[illegible]	[illegible]	[illegible]	[illegible]	2.0%	[illegible]
	[illegible] ($kg CO_2e$/bed)	183.1	-64.5%	Decrease	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	6.4	-65.7%	Decrease	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Decrease
[illegible]	[illegible]	11,761	-19.2%	Decrease	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible] ($kg CO_2e$/bed)	244.6	-16.8%	Decrease	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible] ($kg CO_2e/m^2$)	8.6	-19.5%	Decrease	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

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THE UNITE FOUNDATION

The Unite Foundation is a charitable trust established to put University within reach for young people without family support and who are facing challenging financial circumstances.

The scholarships they award students provide free tailor-made year round accommodation for three years of study, supporting them to succeed and giving them a place to call home. The Foundation has so far provided scholarships for 344 young people working in close collaboration with 27 Universities.

Alongside the scholarship provision, the Unite Foundation also commissions research on care leavers and estranged students' experiences that positively impact the Higher Education sector beyond the life changing reach of the scholarships themselves to enable them to share best practice for this group.

Unite Students founded the Unite Foundation in 2012 and remains the major donor.

Ella

"My childhood was difficult and I went into foster care when I was 16. During that time my studies were my escape and when I visited Sheffield Hallam University for an open day I knew it was where I wanted to be. The Unite Foundation Scholarship made that possible, so when I was awarded it I was over the moon! But it's not just the money that helped – it gave me support to be who I wanted to be.

All year round I had a home to call my own that was safe and fit for study. Worries about money were hugely reduced and I got to pursue the academic course I loved. My confidence has grown, and I've got a whole new set of skills for the future.

I had some health problems early on as I was anxious about fitting in, but I was supported by the University team, the staff where I lived and the amazing new friends I had started to make. After this initial help, I worked hard through university to reach out and seize opportunities and trust those around me. Now I'm so proud of myself, knowing I have the strength and ability to make my own way in the world.

I'm currently completing a Masters degree while working part-time for a PR consultancy. The Unite Foundation helped to boost my CV during my course, introducing me to a commercial communications company where I got relevant work experience that helped me secure this job.

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I know first-hand that a lack of positive family support affects so much practically and emotionally, and it can become overwhelming and exhausting to keep climbing the barriers that make you want to give up. My scholarship helped me to overcome all of that.

The Unite Foundation not only made University possible for me; it gave me the same chance as others to make my own success."

We're pleased to report that combined scope 1+2 absolute emissions fell yet again for the fifth consecutive year when considering both market-based and location based scope 2 emissions, as a result of our ongoing investment in energy efficiency. Market based scope 2 emissions intensity fell by 90% as all grid power consumed in 2018 was matched to REGO (Renewable Energy Guarantee of Origin) Certificates purchased from our supplier Npower leaving only emissions from district heating (which increased due to acquisition of Aston Student Village). Location based scope 2 emissions also benefited from a reduction in the DEFRA UK grid emissions factors. 2017 saw seven new developments using central gas plant, and the disposal of some older 'all electric' sites increasing gas usage across the estate and pushing up absolute scope 1 emissions vs the prior year.

We've been buying energy from 100% REGO certified renewable sources since 2017 delivering significant reductions in our market-based scope two carbon emissions. Following a full update of all our properties' energy performance certificates (EPCs) during 2016 and 2017, alongside subsequent energy efficiency improvements, we ensured all of our properties complied with the Minimum Energy Efficiency Standards well ahead of the 2018 deadline. We are also aligning the way that we manage our energy to the standard of the widely used ISO 50001 energy management system, in readiness for the next phase of ESOS (the Energy Saving Opportunity Scheme).

We have always placed equal emphasis on the efficiency of our properties, and helping our students live and work responsibly within them.

Our award winning engagement and behavioural change programme has been developing over the last 5 years, and 2018 saw the addition of our new Positive Impact element. Working closely with the National Union of Students, we have expanded their Green Impact awards scheme to incorporate a wider range of themes; encouraging both our employees and customers to adopt lasting, sustainable behaviours.

The latest phase of our on going energy efficiency programme commenced in early 2018, which builds on the significant energy savings created by our LED lighting and controls project that began in 2014, and from data collected during detailed site-level surveys completed in early 2018.

This year we invested £5 million to retrofit PV solar panels, high efficiency air-source heat-pumps and networked smart-building controls in a number of our buildings. These initiatives have already saved us c £1 million in energy usage costs.

The next phase of work will concentrate on the wider deployment of networked smart-building controls for electric heating and hot water. We will use our network of integrated devices and systems to deliver energy efficiency, improve customer comfort and participate in demand side response programmes. We will also gather data to support predictive maintenance, automated fault reporting, environmental monitoring, and improved compliance.

It is important to both us and our customers that our properties are well-designed with a minimal impact on the environment. We benchmark our properties' performance through BREEAM. This year, we opened seven new properties, with three awarded BREEAM Excellent, three BREEAM Very Good and one BREEAM Good.

Positive engagement for young people and communities
We are committed to helping our employees and students adopt lasting, responsible living and working habits, through an embedded programme with regular campaigns. Our Engagement Programme is now in its fifth year and continues to grow. Aligned with the NUS Green Impact Awards, the programme uses individual, national and local initiatives to maximise engagement. In 2018 our network of Sustainability Champions worked with over 102 student volunteers, and helped 23 of our City Teams achieve NUS Green Impact Awards, 15 of which were Gold Awards.

Scope 1 and 2 emissions have been calculated in line with the DEFRA Environmental Reporting Guidelines 2013. DEFRA 2015 emissions factors have been used, except for market-based emissions which have been calculated using an emissions factor reflective of our electricity supplier's generation mix, as shown below:

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RESPONSIBLE BUSINESS REVIEW CONTINUED

In September 2018, we transitioned from using the term 'Green Impact' to 'Positive Impact' for this scheme, and we have since developed a bespoke Positive Impact workbook for the 2018/19 Academic year. Positive Impact is more in line with our broader responsible business focus 'Up to uS', engaging on themes around health and safety, social impact and wellbeing, alongside the environment.

We believe all young people deserve a Home for Success. We are committed to helping young people succeed in further education and build sustainable lives, while supporting the communities we live and work in.

2018 saw us build on last year's milestone of £1 million donated to charity (excluding the Unite Foundation) since 2014, with an almost 50% increase in this amount of £473,443; excluding donations to The Unite Foundation. These funds have been raised and donated through direct and facilitated giving, as well as in-kind donations.

Supporting charitable organisations that align with our Home for Success purpose and values is important to us here at Unite, and we take full advantage of our unique opportunity to raise awareness of charitable giving and actions with the future generation of supporters.

Each year our city teams and our London and Bristol offices nominate local charities working with young people to support for the academic year, and work to engage students and employees with the charity through fundraising events and volunteering. This runs alongside our relationship with two national partnerships: The British Heart Foundation and IntoUniversity.

Leapskills

A key focus of ours in 2018 was the development of our Leapskills programme. Leapskills is designed to help young people get ready for the exciting but sometimes intimidating transition to University. We want to pass on our experience and understanding of the skills necessary to thrive while away at University, so every student is prepared for success. So far we have engaged with almost 300 schools and delivered sessions to almost 1000 16–18 year-olds. We are looking to develop this further during 2019.

The British Heart Foundation programme forms a key part of our sustainable behaviour programme which encourages students to recycle and reuse unwanted goods, culminating in donations of more than £300,000 for the year. To date, almost 1,000 students and employees have also successfully completed life-saving CPR training provided by BHF.

Volunteering also provides the opportunity for both our employees and our students to engage with local communities. By providing our resources and expertise to organisations, we can make a tangible difference while encouraging motivation and engagement amongst employees. Our students also develop skills outside the lecture theatre which they can take with them beyond University. Now in its fourth year, our employee volunteering programme allows employees to take one day, or 7.5 hours, out of their schedule to volunteer for local charities that support young people. Since its launch in 2015, our employees have volunteered more than 7,751 hours to charitable organisations, with 20% of our employees volunteering during 2018.

Our work with local charities, which allows our teams to make more impact locally, combined with the overarching impact offered by the national partnerships, creates a powerful opportunity for us to make a valuable contribution to charities, employees and students alike.

Our 2018 Strategic Report from pages 1 to 51 has been reviewed and approved by the Board of Directors on 27 February 2019.

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re:work, regional charity partner

"Our relationship began with a visit from the charity committee *in early September with a follow* up visit in October. Unite Students asked us to create a wish list of all the things we needed, from decent office chairs to a new roof. It was then down to the estates team to decide what they could help with.

The result of the wish list is that we're writing this in a tiny backroom, surrounded by stacks of paperwork while our office, shop, lunchroom and storage space are being completely renovated by Unite staff and contractors. Our students and customers are going to be blown away by the changes.

Unite staff have persuaded so many of their regular contractors to volunteer their time too, the improvements they are making are phenomenal.

We could not have imagined *the support we would receive* and all of it in time for our 20th anniversary in March.

Thank-you."

Vicky Beckwith
Chief Executive of re:work

SUPPORTING OPPORTUNITIES FOR YOUNG PEOPLE

Dr Rachel Carr OBE,
IntoUniversity Chief Executive

Unite Students has been a key strategic partner of IntoUniversity since 2012, and its generous financial support now helps us to provide services for over 36,500 disadvantaged young people each year. Staff members across the country have also played a vital role by volunteering at our local learning centres in towns and cities all over England. Unite has generously provided free accommodation for both IntoUniversity staff from outside London while they complete our 6-week initial training programme in the capital and for a large number of our regional students who would otherwise be unable to take up internship opportunities we provide in London during the summer holidays.

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In addition, Unite Students has harnessed expertise in student housing to design Leapskills workshops for IntoUniversity students. These workshops – including a tour of Unite accommodation – help our students to understand what it will be like living in halls of residence. We are immensely grateful to Unite for going the extra mile to prepare our young people for university life.

We are very excited to see what the future holds for our partnership and would like to take this opportunity to thank everyone who has volunteered and the Social Impact team for all that they do to support our young people in achieving their potential.

Corporate governance

CHAIRMAN'S INTRODUCTION TO GOVERNANCE

During 2018, the Board has continued to develop our strategy and oversee its implementation. Our governance has focused on what makes us different; what sets us apart from the competition.

This can be summed up by our highly trained and caring people, operating our quality properties underpinned with deep University relationships and our service platform designed for our digitally native customers. All of us on the Board understand the responsibility to develop a sustainable and resilient strategy, fortunate we can build on the insight gained from operating in the PBSA sector for 28 years while harnessing the skills and talents of our people.

This year the Board has continued with its governance focus on optimising our portfolio. Quality properties in great locations are an asset to Universities and help make their offer more attractive. The Group has successfully delivered seven new properties underpinned with nominations agreements with high and medium tariff Universities. We have also disposed of properties which did not meet our portfolio strategy.

Universities and parents trust us to provide a safe and secure home for students. We see this as a key element of the student experience while at University and safety – and critically how we can make our properties even safer – is a priority for the Board and our Health and Safety Committee.

During the year, market uncertainty has increased whether due to Brexit, the HE Funding review or the maturing PBSA sector. The Board has overseen our Brexit readiness planning, identifying our key Brexit risks and supervising our Brexit disruption planning. We may not know what Brexit will ultimately look like, but we are ensuring we are well prepared for it operationally.

We felt it was important to refresh the Board during 2018 and bring in some new experience. After an extensive search, Ilaria del Beato and Richard Akers joined us as Non-Executive Directors. We welcome their valuable property, *operational and financial experience.*

The importance of robust and effective governance continues, especially with the sector and wider market uncertainties looming in 2019 and beyond. Our governance framework has been designed to ensure our resilience, help us manage these uncertainties as well as seizing any opportunities that change may bring. The following pages provide insight into how we are building on our decades of experience in the sector and plan to continue delivering sustainable value and a successful business.

Phil White
Chairman of the Board
27 February 2019

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The Board's governance role in developing and implementing our strategy

Governance overview

Governance framework	Our governance framework, underpinned by the UK Corporate Governance Code, continues to support our strategy and ensure our long term sustainable success. Like our risk management framework (described on page 24), our governance framework is driven by an open and collaborative Board and broader Unite Students culture, creating an environment for people to have confidence to challenge the norm. Below and on the next two pages, we cover how governance has supported our strategy during 2018 and how this is linked to our principal risks. We also describe our governance priorities for 2019. ⊕ Read more about **How governance supported our strategy during 2018 on page 54**
Leadership	On pages 56 and 57, we describe the composition of the Board and explain their skills, experience and contribution. Pages 60 to 61 explain how the Board is collectively responsible for the long-term sustainable success of Unite. Its clear division of responsibilities and the role of the Non-Executives in constructively challenging and developing our strategy. ⊕ Read more about **Leadership on page 60**
Effectiveness	Page 65 describes how our governance framework ensures the effectiveness of the Board. The results of this year's board evaluation are on page 65. The Nomination Committee report (page 66) describes how we ensure we have the right skills and experience. ⊕ Read more about **Effectiveness on page 65**
Accountability	The Audit Committee report (pages 68 to 71), together with our risk management framework and principal risks (pages 24 to 31) describe how we ensure a fair, balanced and understandable assessment of Unite's position and prospects, the assessment of our principal risks and their alignment with our strategic objectives. This section also notes how we maintain an appropriate relationship with Deloitte, our external auditors, consistent with the Code and statutory requirements. ⊕ Read more about **Accountability on page 68**
Remuneration	In what is an increasingly complicated regulatory area, our 'Remuneration at a Glance' section (page 78) is intended to provide an overview of this complex area. Our proposed new Remuneration Policy is on pages 79 to 85 and the detailed remuneration report (pages 86 to 95) describes how we ensure Executive Director remuneration is designed to promote the long-term success of the Company.
Shareholder relations and engagement	Page 59 describes how we engage with shareholders, which during 2018 included a Capital Markets Day in October with an investor tour of Brunel House, our new 246 bed development which opened in September in Bristol. ⊕ Read more about **Shareholder relations and engagement page 59**

How governance supported our strategy during 2018

Strategic objective	Board's governance role	Link to principal risk	2018 Board activities
Quality properties	**Active property recycling** Board oversight on portfolio recycling activity – ensuring value obtained and proceeds recycled efficiently	**Property market cycle risk on page 30**	The successful disposal of 14 properties comprising 3,436 beds, reducing the average age of our estate Read more about **Asset disposals on page 40**
	Development pipeline Board scrutiny of all major site selections for new developments against backdrop of increasing competition for the best sites. Governance of development activities to ensure they run to budget and timescale and remain accretive	**Property, Development risk on page 30**	Seven new student residences (3,074 beds) delivered on time and to budget. The beds are fully let to students, all serving high-ranking universities with 62% of these beds secured on nomination agreements with an average [illegible] of 10 years Read more about **Development activity on pages 14 to 16**
	Health & Safety As we develop our brand through the implementation of Home for Success, the risk of a health and safety incident damaging our reputation increases. The Board's governance of the health and safety, wellbeing and security of the 50,000 students who make Unite students their home is critical to the Group's continued success and its reputation	**Operational risk – Major health and safety incident in a property or a development site on page 29**	The Board reviews the safety of our students, visitors and employees, as well as contractors at our development sites, at each Board meeting. During 2018, this has included monitoring the Hackitt Review, developing best practice following the Grenfell Tower tragedy and regulatory change. The Health & Safety Committee (a sub-Committee of the Board) focuses: – **fire**: our biggest safety risk, and our work with the Avon Fire Authority, our Primary Fire Authority lead – **external safety assurance** through the British Safety Council, our external safety auditor – **physical security review** of our properties by WSP Parsons Brinckerhoff Read more about the **Health & Safety Committee report on page 72**
Quality service platform	Governance to ensure our market-leading service platform is robust, reliable and is developed further to meet our customers' increasing expectations	**Market risks – supply and demand on page 28**	Oversight that PRISM delivers: – a robust booking system – an improved and scalable platform for revenue management [illegible] engagement enhanced service levels for both universities and students – *market differentiation* Read more about the **Operations review on page 32**
	Affordability and value for money	**Market risks – supply and demand on page 28**	Analysis of the higher education accommodation sector and ensuring we continue to offer an affordable and value for money product Read more about **Affordability on pages 26 and 28**
	Information security and keeping our customers and employees' personal data safe and secure.	***Market risks – supply and demand on page 28***	As our engagement with our digitally native customers moves increasingly online and we develop apps to enhance this, it is more important than ever that we keep their personal data safe. As part of our Digital Media strategy, the Board led a review of our information security and its governance, in particular having regard to the General Data Protection Regulation (GDPR) which came into effect during 2018. The Audit Committee also reviewed our information security/GDPR compliance initiatives as part of its remit to review our risk management and control framework
	Leadership development and succession planning/talent pipeline. D&I initiatives.	***Market risks – supply and demand on page 28***	The Nomination Committee focused not only on Board succession, with two Directors joining the Board in 2018 (Ilaria del Beato and Richard Akers), but also our broader talent pipeline and leadership development
Quality University partnerships	Board scrutiny of our development and portfolio recycling to ensure we partner with the right universities and enhance our long-standing relationships	**Market risks – supply and demand and Property Development risk on pages 28 and 30**	62% of our total beds are now under nomination agreements, exposure to high and mid-tier Universities; we track to reach 65% on completion of our secured pipeline. Higher Education review and our growth strategy having regard to developing new university partnership transactions Read more about **Quality partnerships on page 11**

Strategic objective	Board's governance role	Link to principal risks	2018 outcomes/activity
Delivering sustainable value	**Brexit** Group Board focus on our Brexit readiness planning	**Market Risks – supply and demand on page 28**	Group Board assessment of our key Brexit risks and the oversight of our Brexit [illegible] in which we prepare for the inevitable operational disruption due to Brexit
	High-quality, growing earnings Oversight of operational performance, rental growth and university partnerships transactions along with dividend growth	**Market risks and Property/Development risks on page 28**	98% let across our portfolio for the 2018/19 academic year and 3.0–3.5% rental growth Read more about **Quality partnership on page 12**
	Capital structure Group Board focus on a strong and flexible capital structure which can adapt to market conditions and reducing and diversifying the cost of funding	**Financing risk – Unable to arrange new debt or expiring debt facilities cannot be replaced or only at high cost. Adverse interest rate movements on page 31**	Board oversight on our transition to unsecured lending ([illegible] unsecured bond issued in October 2018) and continued focus on locking in debt at historically low rates [illegible] new debt facilities and forward starting interest rate swaps for future borrowings for secured development pipeline At the end of 2018: - Loan to value 29% (31 December 2017: 31%) - Average cost of debt 3.8% (31 December 2017: 4.[illegible]%) Read more about **Debt financing and interest rate on page 42**

2019 governance priorities

Continued delivery of high-quality, growing earnings with oversight and assurances of:

Macro/ Market dynamics

The impact of the Higher Education Funding Review and Brexit on the sector, UK plc and the UK economy more generally. Managing the risks – and equally embracing the opportunities – that change brings.

Quality properties

Choosing, securing and developing the right sites in the best locations. Securing income coupled with rental growth through high quality properties with quality long term University partnerships

Quality service

Fire safety following the Hackitt Review and a post Grenfell world

Enhancing our digital offering for our digital native customers. Evolving our product proposition, but always focused on affordability and value for money

Financial structure

Growing our unsecured lending and funding our developments.

Our people

Developing our talent pipeline and future leaders to help ensure a sustainable future. Continued focus on our diversity, equality and inclusivity initiatives

Corporate governance

BOARD OF DIRECTORS

Image deleted

Phil White
Chairman

N R

Relevant skills, experience and contribution

[illegible]

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Richard Smith
Chief Executive Officer

H

Relevant skills, experience and contribution

[illegible]

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Joe Lister
Chief Financial Officer

Relevant skills, experience and contribution

[illegible]

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Ilaria del Beato
Non-Executive Director

N A H

Relevant skills, experience and contribution

[illegible]

Image deleted

Andrew Jones
Non-Executive Director

R N

Relevant skills, experience and contribution

[illegible]

Image deleted

Ross Paterson
Non-Executive Director

A R N

Relevant skills, experience and contribution

[illegible]

Board committee key

N Nomination Committee

A Audit Committee

H Health & Safety Committee

R Remuneration Committee

Chairman of committee

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Professor Sir Tim Wilson
Non-Executive Director

H A R N

Relevant skills, experience and contribution

Tim was appointed to the Board in December 2012. He was appointed Knight Bachelor for services to Higher Education and to business in the 2011 New Year Honours list. He is a strong advocate of the role of universities in economic development and is acknowledged as one of the leading thinkers in university business collaboration. He is the author of the government commissioned Wilson Review of Business University Collaboration, published in March 2012.

Formerly Vice-Chancellor of the University of Hertfordshire, Tim has served on the Board of the Higher Education Funding Council for England (HEFCE), was Deputy Chair of the UK Innovation, Science and Technology Committee and a trustee of the Council for Industry and Higher Education (CIHE). He has extensive experience in both UK and international Higher Education.

The Higher Education sector has undergone enormous changes in recent years and Tim brings his wealth of experience, insight and knowledge of the HE sector to the Board and the broader business. He also uses this hands-on sector knowledge and experience to help oversee the safety of our student customers and employees as Chair of the Health & Safety Committee.

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Elizabeth McMeikan
Senior Independent Director

R N H

Relevant skills, experience and contribution

Liz was appointed a Non-Executive Director in [illegible] 2014. She has high level experience in customer focused businesses Tesco and Colgate Palmolive where she was successful in driving growth through an understanding of customer needs and an innovative marketing approach.

Liz is Senior Independent Director at FTSE 250 pub group JD Wetherspoon and Senior Independent Director and Chairman of the Remuneration Committee at [illegible]. She is also a Non-Executive Director at an import/export fruit and vegetable company Fresca Group Ltd and of [illegible], a privately owned [illegible] company.

Liz brings her extensive consumer focused experience, both as an executive and also on the boards of other FTSE companies, to help oversee the design and development of our customer proposition and enhanced customer service. As Senior Independent Director, Liz [illegible] supports the Chair in the effective running of the Board and as Chair of the Remuneration Committee she helps ensure the executive directors and broader senior team's remuneration is aligned to the long term sustainable success of the Group.

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Richard Akers
Non-Executive Director

N A R

Relevant skills, experience and contribution

Richard was appointed a Non-Executive Director in September 2018. From 1995 to 2011 Richard worked at Land Securities plc where he held various positions including as an Executive Director on the main board and Managing Director of Retail. Richard has over 30 years' experience in the real estate industry with a focus on retail. He is currently Senior Independent Director and Chair of the Health & Safety and Remuneration Committees at Barratt Developments PLC, a Non-Executive Director at Shaftesbury PLC and [illegible] Advisory Board Member at Battersea Power Station Development Company. Previously, Richard was a Non-Executive Director at Emaar Malls PJSC.

Richard brings a wealth of real estate experience as both an executive and non-executive director on the boards of FTSE companies. This experience will be critical to help the Group manage change and uncertainty in the wider real estate sector as well as the broader economy.

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Chris Szpojnarowicz
Company Secretary

Relevant skills, experience and contribution

Chris was appointed Company Secretary and Head of Legal in 2011, following General Counsel roles at GE, MTV Networks and other multinationals. He was previously an M&A, corporate and commercial lawyer at Clifford Chance and Baker McKenzie. Chris uses his general counsel and corporate/commercial legal experience to fuse our corporate and risk governance with our business activity. In this way Chris links his Company Secretary and governance leadership role with his legal and commercial experience.

Corporate governance

BOARD STATEMENTS

Under the UK Corporate Governance Code (2016), the Board is required to make a number of statements. These statements are set out below.

Requirement	Board statement	More information
Compliance with the Code The Unite Group plc is listed on the London Stock Exchange and subject to the requirements of the UK Corporate Governance Code. The Board is required to comply with the provisions of the Code *and where it does not, explain the reasons* for non-compliance.	The Board confirms that, in its view, the Company has applied the main principles and has complied with all of the provisions set out in the Code during 2018. The Board acknowledges the new UK Corporate *Governance Code will apply from 1 January 2019* and during 2018 reviewed how this would apply to the Company and Board activity. The Board expects to be able to comply with the new Code with effect from 1 January 2019 and will report on this in the next Annual Report.	Details on how the Company complies with the Code can be found throughout this Corporate Governance section of the Annual Report.
Going Concern The Board is required to confirm that the Group has adequate resources to continue in operation for the foreseeable future.	*The Directors are satisfied that the Group has* adequate resources to continue to be operational as a going concern for the foreseeable future and therefore have adopted the going concern basis in preparing the Group's 2018 financial statements.	*More details on the Going Concern statement can* be found on page 67
Viability Statement *The Board is required to assess the viability of* the Company taking into account the current position and the potential impact of the current position and the potential impact of the principal risks and uncertainties set out on pages 28 to 31	The Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period to December 2021	More details on the Viability statement can be *found on page 27*
Principal risks facing the Group The Board is required to confirm that a robust assessment of the principal risks facing the Company has been carried out and should describe those risks and explain how they are being managed or mitigated.	A robust assessment of the principal risks facing the Company was undertaken during the year, including those that would threaten its business model, future performance, solvency or liquidity. The significant risks facing the Company, and how these are mitigated, are set out on pages 28 to 31.	Information around key risks and risk management processes can be found on pages 24 to 31, and *on page 70 of the Audit Committee report.*
Risk management and internal control The Board is required to monitor the Company's *risk management and internal control systems* and, at least annually, carry out a review of their effectiveness	The Board conducted a review of the effectiveness of the systems of risk management and internal *control during the year and considers that there is* a sound system of internal control which accords with the 'Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.'	Details on the systems of risk management and internal control can be found on pages 24 to 27
Fair, balanced and understandable *The Board should confirm that it considers* the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.	The Directors consider, to the best of each *person's knowledge and belief, that the* annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.	See the Audit Committee report on pages 68 to 71 *and the Statement of Directors' responsibilities on* page 99.

SHAREHOLDER RELATIONS

The Board prioritises effective communication with shareholders and other providers of capital to the business and welcomes their views on the Group's approach to corporate governance. In addition to the final and interim presentations, a series of meetings between institutional shareholders and other providers of capital and senior management were held throughout 2018.

The Board is made aware of the views of major shareholders concerning the Company through, among other means, regular analyst and broker briefings and surveys of shareholder opinion. These will continue throughout 2019.

During 2018, the Remuneration Committee conducted a consultation with its 20 largest shareholders (representing approximately two thirds of the issued share capital) regarding proposed changes to the Company's Remuneration Policy (more detail on page 85).

The Board, together with its professional advisors, actively analyses the Register of the Company with a view to ensuring its long-term stability.

The Company maintains a corporate website containing extensive information of interest to both institutional and private investors. The Company has frequent discussions with shareholders on a range of issues affecting its performance, both following the Company's announcements and in response to specific requests. The Company regularly seeks feedback on the perception of the Company among its shareholders, the investor community more broadly and its stakeholders.

Save in exceptional circumstances, all members of the Board attend the Company's Annual General Meeting and shareholders are invited to ask questions during the meeting and to meet with Directors prior to, and after, the formal proceedings. At the meeting, the Chairman reviews the Group's current trading.

The results of the votes at the Annual General Meeting, together with details of the level of proxy votes lodged for each resolution, are made available on a regulatory information service and on the Company's website at www.unite-group.co.uk.

Notice of the Annual General Meeting is set out on pages 156 to 159.

2018 AGM

At the Company's Annual General Meeting on 10 May 2018 all resolutions were duly passed but there were votes against the share issuance resolutions (Resolution 15 (issue shares pre emptively), Resolution 16 (Dis-apply Pre-emption Rights) and Resolution 17 (Dis-apply Pre-emption Rights – acquisition/specified capital investment)). The Company has proactively engaged with shareholders and proxy advisors on this matter. Overall the engagement was positive and supportive. In summary, the votes against these resolutions were due primarily to the perceived cumulative impact of share issuances over the past few years. While shareholders were overwhelmingly supportive of the individual share issuances, the Company acknowledged the feedback and will continue to engage with shareholders and consider shareholder and proxy voting guidelines.

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Results of 2018 AGM

	Resolution	For % Votes Cast	Against % Votes Cast
1	Receive Annual Reports and Accounts	99.9[illegible]	0.06
2	Directors' Remuneration report	97.34	2.66
3	Declare Final Dividend	[illegible]	[illegible]
4	Approve Scrip	[illegible]	[illegible]
5–12	Re-elect Directors	94.[illegible]–99.[illegible]	[illegible]–5.3
13	Re-appoint Auditor	97.45	2.55
14	Auditor's Remuneration	9[illegible].46	4.56
15	Authority to Allot Shares	66.21	33.[illegible]
16	Dis-apply Pre-emption Rights – 5% (general)	75.97	24.03
17	Dis-apply Pre-emption Rights – 5% (acquisition or specified capital investment)	75.53	24.47
18	Allow General Meeting on 14 days' notice	93.[illegible]	6.[illegible]

Capital Markets Day – Brunel House, Bristol

October 2018

Each year we hold a Capital Markets Day to provide financial analysts and investors with further insight into our strategy and business plans.

This year key themes included the continued strong demand for high quality student accommodation and how – against this backdrop – the Group will deliver sustainable earnings with its focus on enhancing its portfolio and market leading service platform.

Following the presentation and Q&A, investors toured Brunel House, a new 246-bed development recently opened in the heart of Bristol.

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LEADERSHIP

Corporate culture and governance leadership

The Group is home to c.50,000 students during a crucial stage of their personal development and with Universities right across the UK. The Board has ultimate responsibility to Unite's shareholders for all the Group's activities as well as a broader responsibility extending to environmental and social issues.

To discharge this broader responsibility effectively, the Group needs to operate in an open, harmonious and transparent manner, ensuring open communication between the Board and senior leaders. This is why various members of the senior leadership team regularly present to the Board. During 2018, the Chief Customer Officer, Group Property Director, Strategy & Portfolio Performance Director, Corporate Affairs Director, Head of Digital, Area Managers, Funds Director (representing our various co-investment vehicles), University Partnerships Director, Group People Director and Group Legal Director & Company Secretary (among others) presented to the Board.

This direct access to management opens dialogue beyond the boardroom. Additionally, with Board meetings taking place in cities across the UK, the Board visits both new developments and existing properties and meets with our Operations teams. This gives it a grounded insight into the implementation of our overall business strategy.

Board structure

Nomination Committee

Chair: Phil White

Andrew Jones
Elizabeth McMeikan
Sir Tim Wilson
Ross Paterson
Richard Akers
Ilaria del Beato

Audit Committee

Chair: Ross Paterson

Sir Tim Wilson
Richard Akers
Ilaria del Beato

Health & Safety Committee

Chair: Sir Tim Wilson

Richard Smith
Elizabeth McMeikan
Ilaria del Beato

Remuneration Committee

Chair: Elizabeth McMeikan

Andrew Jones
Phil White
Sir Tim Wilson
Ross Paterson
Richard Akers

Board

Unite Executive Committee

Unite Operations Board

Unite Property Board

Risk Committee

How the Board operates

The Board has an annual operating rhythm with an agenda of items for the forthcoming year built around our strategic objectives. The Board's meetings are split between strategy (considered in light of emerging risks and the approval of specific investments above certain thresholds) and routine operational, property and financial updates (providing context for the strategic discussions as well as governance oversight of in-year activity).

Meetings take place throughout the UK, often at universities, so the Board can meet Vice-Chancellors and learn about their experiences with Unite, their accommodation requirements more generally and broader developments in the Higher Education sector.

Senior leaders are regularly invited to attend meetings and present to the Board. This provides the Board, and in particular the Non-Executive Directors with direct and open access to leaders throughout the Group and helps build a culture of openness and directness. In addition, external experts are also invited to present to the Board (such as University Vice-Chancellors and property valuers) to give the Directors a broader and independent perspective.

Details of the number of Board and Committees meetings held during the year, and Director attendance is available in the table on page 64.

Board operating rhythm

1

Regular updates from the Board Committees on their activities and recommendations
Ensure that the detailed work performed in the Board Committees is considered by the Board as a whole.

2

Operational, property and financial updates
Provide the Board with the necessary information to track the Group's performance and challenge any problems with performance.

3

Market and Higher Education sector updates
Ensure the Board has the latest market and sector knowledge.

4

Strategy and five-year plan
Discuss, review and approve our strategy and five-year plan, and track how we are performing against our current strategy and five-year plan.

5

Risk
Review and discuss our principal risks at a Group level and also review operational level risks (the Board's operational risk review is to verify that risks have been properly identified and that appropriate risk-mitigation plans are being correctly managed with clear actions and ownership).

6

New development schemes
Review and challenge new development schemes being recommended by management and, due to the significant capital expenditure involved and key strategic decisions required, approve these new development schemes.

7

Training
Review of the Board's training needs and ensure that the Board is up to date on key legal and regulatory changes. During 2018, this was focused on the GDPR and Corporate Governance developments.

8

Review of Group policies
Review of key Group policies, such as the Anti-Bribery Policy to ensure they are appropriate and implemented effectively.

Corporate governance

LEADERSHIP CONTINUED

Board activity and annual programme

February	University Partnership update Market update	Property – approval of developments (New Wakefield, Manchester and Cowley Barracks, Oxford) Equity Placing	Preliminary results	External Board evaluation
April	Growth strategy Market downturn analysis IR review	Post-completion review – review of 2017 property completions	Nomination Committee – leadership, development and succession planning	
May	Development	Higher Education review	Internal audit plan	Assess auditors Review internal controls Strategy
June	Digital/IT strategy Property approval of acquisition (First Way, Wembley)	BI/MI approach	Half-year valuation preview	Principal risks review Brexit readiness plan
July	Group Board and Health & Safety Committee BSC and Fire Safety Audit Property-approval of development of Tower North, Leeds	Interim results	Nomination Committee – Board appointment (Richard Akers and Ilaria del Beato)	
September	Strategic plan and talent review	Remuneration Committee Internal Board Evaluation	Shareholder consultation	Debt financing
November	Strategy update	2019 budget themes	Customer satisfaction	
December	Principal risks review – Brexit disruption plan	Approve 2019 budget Prospective year end out-turn	Whistleblowing review CSR/Unite Foundation Tax strategy	Corporate Governance review of new code

Strategy · Financial and risk management · Operational · Commercial · Investor relations · Governance

Quality properties · Quality service platform · University partnerships · People · Earnings & NAV growth

* No board activity in January, August and October

Composition and appointments

The composition of the Board during 2018 is set out in the table on page 64.

The Board currently consists of the Chairman, two Executive Directors and six Non-Executive Directors.

In accordance with the requirements of the Code, each of the current Directors (other than Andrew Jones) offers themselves for re-election at the Annual General Meeting to be convened on 9 May 2019. Andrew Jones is stepping down as a Director at the upcoming Annual General Meeting after six years as a Non Executive Director. Brief biographies of all the Directors and their skills, experience and contribution are set out on pages 56 and 57. Following the individual performance evaluations of each of the Non-Executive Directors seeking re-election it is confirmed that the performance of each of these Non-Executive Directors continues to be effective. They each demonstrate commitment to the role, and add value and relevant experience to the Board.

Roles

The Group's terms of reference for the Chairman and the Chief Executive clearly establish the division of responsibility between the two roles. Summaries of those roles, and that of the Senior Independent Director, are set out in the table below.

Graph deleted

Role	Description
Chairman	Phil White's principal responsibilities are: — to establish, in conjunction with the Chief Executive, the strategic objectives of the Group for approval by the Board — to organise the business of the Board — to enhance the standing of the Company by communicating with shareholders, the financial community and the Group's stakeholders generally
Chief Executive	Richard Smith has responsibility for: — establishing, in conjunction with the Chairman, the strategic objectives of the Group, for approval by the Board — implementing the Group's business plan and annual budget — the overall operational and financial performance of the Group
Senior Independent Director	As Senior Independent Director, Elizabeth McMeikan's principal responsibilities are to: — act as Chairman of the Board if the Chairman is conflicted — act as a conduit to the Board for the communication of shareholder concerns if other channels of communication are inappropriate — ensure that the Chairman is provided with effective feedback on his performance

Responsibility and delegation

A schedule of specific matters is reserved for the Board. These include:

— Approving the strategic objectives of the Group and the business plan to achieve those objectives
— Approving major investments, acquisitions, mergers and divestments
— Approving major development schemes
— Approving appointments to and dismissals from the Board
— Reviewing systems of internal control and risk management
— Approving policies relating to Directors' remuneration

These topics are scheduled as part of the Board's annual operating rhythm and forward agenda or brought to the Board on an ad hoc basis.

Strategic report p01–51
Corporate governance p52–99
Financial statements p100–155
Other information p156–160

Directors' attendance at meetings in 2018

Current Directors	Status	Date of appointment to the Board	Board	Audit Committee	Remuneration Committee	Nomination Committee	Health & Safety Committee
Phil White	Chairman	21 January 2009	10	N/A	4	3	N/A
Sir Tim Wilson	Independent	01 December 2010	[illegible]	5	4	3	3
Andrew Jones	Independent	01 February 2013	10	N/A	4	3	N/A
Elizabeth McMeikan	Independent	01 February 2014	10	5	4	3	3
Joe Lister	Executive	02 January 2008	[illegible]	N/A	N/A	N/A	N/A
Richard Smith	Executive	01 January 2012	10	N/A	N/A	N/A	3
Ross Paterson	Independent	21 September 2017	[illegible]	5	4	3	N/A
Richard Akers	Independent	01 September 2018	3	1	2	[illegible]	N/A
Maria del Beato	Independent	01 December 2018		1	N/A	[illegible]	1
Richard Simpson[3]	Executive	01 January 2012	5	N/A	N/A	N/A	N/A

1 Appointed September 2018
2 Appointed December 2018
3 Resigned 8 May 2018

Board Committees

The Board has delegated certain responsibilities to its Committees, as detailed on the following pages. The terms of reference for each Committee are reviewed annually and the current versions are available on the Company's website at www.unite group.co.uk. The current membership of each Committee of the Board is set out in the chart on page 60.

Board tenure

Each of the Executive Directors has a rolling contract of employment with a 12-month notice period, while Non-Executive Directors are, subject to re-election by shareholders, appointed to the Board for a term of approximately three years in accordance with the recommendations of the Code. The Directors will all retire at the Annual General Meeting and will submit themselves for re election by shareholders.

The chart below shows the current tenure of the Non-Executive Directors (rounded up to the nearest year), including the Chairman.

Chair succession planning

The Board notes the new Corporate Governance Code requires that the chair of the board should not normally remain in post beyond nine years from the date of their first appointment to the board and that Phil White was first appointed to the board as chair in May 2009 and therefore will have been in post for 10 years at the date of the upcoming AGM. The Nominations Committee led by our Senior Independent Director, is reviewing our succession planning for the role of chair.

Professional advice and board support

Directors are given access to independent professional advice at the Company's expense when the Directors deem it necessary in order for them to carry out their responsibilities. The Directors also have regular dialogue with, and direct access to, the advice and services of the Company Secretary who ensures that Board processes and corporate governance practices are followed.

Insurance

The Company maintains Directors and Officers liability insurance, which is renewed on an annual basis.

Graph deleted

EFFECTIVENESS

Induction

On appointment to the Board, each Director takes part in a comprehensive and personalised induction programme. This induction is also supplemented with ongoing training throughout the year to ensure the Board is kept up to date with key legal, regulatory and industry updates. Richard Akers and Ilaria del Beato, who joined the Board in 2018, underwent an induction programme following this framework:

- The business and operations of the Group and the Higher Education sector; the role of the Board and matters reserved for its decisions; the terms of reference and membership of Board Committees; and powers delegated to those Committees
- The Group's corporate governance practices and procedures and the latest financial information about the Group
- The legal and regulatory responsibilities as a Director and, specifically, as a Director of a listed company.

As part of the induction programme, each Director also visits key locations to see our business operations and properties first-hand and the Higher Education institutions with which we partner. Also, they meet with key senior executives so from the outset they have access to managers throughout the organisation to help them form their own independent views on the Group, its performance and the sector we operate in. In addition, they meet with representatives of the Company's key advisers.

Chairman and Non-Executive Directors

The Board considers each of its seven Non-Executive Directors to be independent. Accordingly, the Company meets the requirement of the Code in relation to members of the FTSE 350 that at least half of the Board (excluding the Chairman) is made-up of independent Non-Executive Directors. In addition, Phil White (Chairman of the Board) was considered independent on his appointment to that role.

The Chairman and the Non-Executive Directors constructively challenge and help develop proposals on strategy, and bring strong, independent judgement, knowledge and experience to the Board's deliberations. Non-Executive Directors are expected to commit approximately 20 days per annum to the business of the Group.

The terms and conditions of appointment of the Non-Executive Directors are available for inspection at the Company's registered office and at the Annual General Meeting.

Training

The Board considered it important that the Committee Chairs continue to receive sector and relevant functional training (such as on accounting, corporate governance and executive remuneration reporting developments) and accordingly the Committee Chairs attend relevant external seminars. The Board as a whole receives ongoing training on corporate governance and other relevant developments.

2018 Performance evaluation

Each year the Board, its Committees and Directors are evaluated, considering (among other things) the balance of skills, experience, independence and knowledge on the Board, its diversity (including gender), how it works together as a unit and other factors relevant to its effectiveness.

The Company's policy is to conduct an externally facilitated evaluation every third year. During 2018, the evaluation was conducted internally. The previous external evaluation was in 2017 and the next external evaluation is expected to be during 2020.

During 2018, **this Board evaluation explored** our corporate culture and governance leadership. In addition, **the evaluation considered the behaviours and processes of the Board**, its Committees and each member of the Board, including the Chairman. The 2018 evaluation took the form of a questionnaire asking searching questions of the Board and Committees. This was conducted on an anonymous basis – to encourage frank and direct feedback – and the results then collated by the Company Secretary and shared with the Group Board and each Committee. In addition, the recommended actions from the 2017 evaluation were reviewed to determine progress against them.

The output was positive, with a consensus that the Board and its Committees operate effectively as a team, balancing their collective responsibility appropriately. The Board has clear agreement on its role in shaping, embedding and overseeing Home for Success and our values. A key learning is the development of KPIs to improve the measurement of Home for Success delivery – what does success really look like. Also, continued focus on succession planning and strengthening the leadership team below Board level to ensure 'bench strength'.

EFFECTIVENESS: NOMINATION COMMITTEE REPORT

Refreshing our Non-Executive Directors and our leadership/pipeline development has been the Committee's 2018 focus.

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Phil White
Chairman

Nomination Committee Chair's overview

The Committee's focus this year was on the appointment of two new Non-Executive Directors, which led to the successful appointment of Ilaria del Beato and Richard Akers. The Committee also focused on our diversity and inclusion initiatives, together with talent development and succession planning. The Committee continued with its approach of mapping the business's strategic objectives and growth ambitions against our wider leadership and high performing, high potential individuals. Where gaps have been identified, the Committee ensures a suitable programme is in place to deliver our leaders of tomorrow with the right skills and experience.

Succession planning for the Chairman, led by Elizabeth McMeikan our Senior Independent Director, will be a specific focus for 2019.

Phil White
Chair – Nomination Committee
27 February 2019

Committee overview

Composition

The Committee consists entirely of Non-Executive Directors. The members of the Committee are set out on page 63 of the Corporate Governance Statement. At the invitation of the Committee, any other Director or other person may be invited to attend meetings of the Committee if considered desirable in assisting the Committee in fulfilling its role.

Role

The role of the Committee is to:

- Ensure that appropriate procedures are adopted and followed in the nomination, selection, training, evaluation and re-election of Directors and for succession planning, with due regard in all cases to the benefits of diversity on the Board, including gender
- Regularly review the structure, size, composition, skills and experience of the Board and to make recommendations with regard to any adjustments considered necessary
- When it is agreed that an appointment to the Board should be made, lead a selection process that is formal, rigorous and transparent
- Be responsible for identifying, reviewing and recommending candidates for appointment to the Board

Activities in 2018

Review of Board composition

The Committee reviewed the Board's composition to ensure it has the correct balance of skills, experience, independence and knowledge. Recognising that the average tenure of the Non-Executive Directors was just over six years – and to help ensure orderly succession planning – the Committee believed it was timely to consider appointing two new Non Executive Directors. The Committee led a recruitment process resulting in the appointment of Richard Akers in September 2018 and Ilaria del Beato in December 2018.

Russell Reynolds led the search for these Non-Executive Directors. Russell Reynolds has no other connection with the Company.

Succession planning

As per prior years, the Committee reviewed the Board's succession planning, to ensure we have a deep talent pipeline for future Board appointments. As an integral part of our executive succession planning, the Committee oversees the Senior Leadership Development Programme (part of a broader Skills Development Programme) to ensure we are growing and nurturing our talent and developing our high-performers, high potential.

Board diversity

The Board recognises that diversity, equality and inclusivity at Board level and throughout the Group are critical components of our long-term sustainability. We are proud of the diversity of the Group as a whole, an organisation made up of people, who like our customers, are from many different backgrounds and countries and have diverse experiences, perspectives and skills.

Beyond the boardroom and within Unite more generally we continued to review our approach to diversity, equality and inclusion during 2018. We recognise this as a key building block of our People strategy and that the UK workforce and our students are increasingly diverse. To remain competitive we need to develop a diverse, equal and inclusive workplace which will in turn best represent and support our customers in creating a Home for Success.

During 2018, our diversity and inclusivity initiatives focused on:

- Launching our Women's Network
- Developing our Diversity in Action Group launched in 2017 and led by and for employees. Widening our recruitment channels to bring in increased diversity
- Continued with our annual Diversity, Equality and Inclusion e-learning for all employees
- Ensuring all customer-facing teams are diverse and appropriately representative of our local community and our students
- Actively supporting our high-potential female employees
- Ensuring all leadership roles have diverse candidates on the shortlist
- Worked with Stonewall, Business in the Community and the Business Disability Forum to raise our awareness
- Reviewing our HR policies and procedures to be more inclusive with related line-manager training
- Planning to support our non-UK EU employees as part of our Brexit readiness planning
- Training all recruiting managers and the resourcing team on unconscious bias to ensure that we are recruiting the best person for the job

In 2019 we will focus on:

- Our Women's Network followed by further networks as appropriate
- Growth of our Diversity in Action Group
- Continuing our Focus groups and Pulse Surveys across the organisation to understand more about our employees' needs
- Use of specialist job boards to support sourcing diverse candidates
- Further recruitment training for all hiring managers
- Continue to work with Stonewall, Business in the Community and the Business Disability Forum
- Work Equality Index completed and recommended actions taken

We have set diversity targets for our People with 40% women in leadership roles by 2020. We are currently at 37%.

As regards to the Board itself, the Nomination Committee considered during 2018 whether it wanted to set specific targets for female representation on the Board. The Committee believes the current focus of diversity and inclusivity should be on the Group as a whole, with the development of a diverse and inclusive talent pipeline incorporating the initiatives outlined above. The Committee is not currently considering setting diversity targets for the Board itself believing this is not necessarily in the best interests of the Group and its stakeholders. However, gender diversity along with all other aspects of diversity and inclusivity, will be considered along with its more general remit to consider the balance of skills, experience, independence and knowledge when reviewing appointments to the Board.

Read more about
Diversity and Inclusion on pages 45 and 46

Accountability

Internal control

The Board has overall responsibility for the Group's system of internal control, however, such a system is designed to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement.

The provisions of the Code in respect of internal controls require that Directors review and monitor all controls, including operational, compliance and risk management as well as financial controls. Through reports from the Board's Committees, the Group's Risk Committee and the Group's Business Unit Boards (the Operations Board and Property Board), the Board has reviewed the effectiveness of the Group's system of internal controls for the period covered by the Annual Report and Accounts and has concluded that such controls were effective throughout such period.

Further information on the Company's internal control framework is set out in the Audit Committee report on pages 68 to 71. The Board delegates certain of its duties, responsibilities and powers to the Audit Committee, so that these can receive suitably focused attention, but in so doing the Audit Committee acts on behalf of the full Board, and the matters reviewed and managed by the Audit Committee remain the responsibility of the Directors taken as a whole.

Going Concern

After making enquiries, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Risk management

The Board, when setting the strategy, also determines the nature and extent of the principal risks and its risk appetite in implementing this strategy. Each year, the Board reviews the effectiveness of the Group's risk management systems and how the Board did this during 2018 is set out on pages 24 to 31.

Business model

For a description of the Group's Business Model, see pages 12 and 13 of the Strategic Report.

ACCOUNTABILITY: AUDIT COMMITTEE REPORT

During the year, the Audit Committee continued its key oversight role for the Board with specific duties as set out in its terms of reference to reassure shareholders that their interests are properly protected in respect of the Group's financial management and reporting.

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Ross Paterson
Chair of the Audit Committee

Audit Committee Chair's overview

The Audit Committee works to a structured programme of activities, with agenda items focused to coincide with key events in the annual financial reporting cycle. The Audit Committee reports regularly to the Board on its work.

During the year the Audit Committee has continued to monitor the integrity of the Group's financial statements and supported the Board with its ongoing monitoring of the Group's risk management and internal control systems in line with the requirements under the Corporate Governance Code. The Committee also determined the focus of the Group's internal audit activity, reviewed findings, and verified that management was appropriately implementing recommendations. In addition, recognising the value of an effective whistleblowing channel, the Committee again reviewed arrangements for the Group's employees to raise concerns in confidence.

During 2018, the Audit Committee undertook the third full evaluation exercise of the Deloitte audit approach to ascertain the effectiveness of the external audit function. Further to the completion of the evaluation of the external audit process, we are satisfied with both the auditor's independence and audit approach and have recommended to the Board that Deloitte be re-appointed as auditor in 2019.

As noted in this Corporate Governance Statement, the Board delegates certain of its duties, responsibilities and powers to the Audit Committee, so that these can receive suitably focused attention. However, the Audit Committee acts on behalf of the full Board, and the matters reviewed and managed by the Audit Committee remain the responsibility of the Directors as a whole.

Role of the Audit Committee

The Audit Committee has delegated authority from the Board set out in its written terms of reference. The terms of reference for the Audit Committee take into account the requirements of the Code and are available for inspection at the registered office, at the Annual General Meeting and on the Group website at http://www.unite-group.co.uk/about-us/corporate-governance

The key objectives of the Audit Committee are:

- To provide effective governance and control over the integrity of the Group's financial reporting and review significant financial reporting judgements
- To support the Board with its ongoing monitoring of the effectiveness of the Group's system of internal controls and risk management systems
- To monitor the effectiveness of the Group's internal audit function and review its material findings
- To oversee the relationship with the external auditor including making recommendations to the Board in relation to the appointment of the external auditor and monitoring the external auditor's objectivity and independence.

Composition of the Audit Committee

The members of the Audit Committee are set out on page 60 of this Corporate Governance Statement. The Audit Committee members are all independent Non-Executive Directors and have been selected with the aim of providing the wide range of financial and commercial expertise necessary to fulfil the Audit Committee's duties. The Board considers that as a chartered accountant and serving Finance Director of a FTSE 250 company I have recent and relevant financial experience.

Meetings are attended, by invitation, by the Chief Financial Officer and the Group Financial Controller.

I also invite our external auditor, Deloitte, to each meeting. The Audit Committee regularly meets separately with Deloitte without others being present. As appropriate, I also invite our internal auditor, PwC, to attend the meetings. Deloitte and PwC meet independently of management to ensure alignment, to update on respective findings and consider the impact on the relative approaches of their work.

Audit Committee meetings

The Audit Committee met four times during the year and attendance at those meetings is shown on page 54 of this Corporate Governance Statement.

Main activities of the Audit Committee during the year

Meetings of the Audit Committee generally take place just prior to a Group Board meeting and I report to the Board as part of a separate agenda item, on the activity of the Audit Committee and matters of particular relevance to the Board in the conduct of its work. At its four meetings during the year, the Audit Committee focused on the following activities.

The Audit Committee reviewed the half-year and annual financial statements and the significant financial reporting judgements. As part of this review the Audit Committee supported the Board by reviewing the financial viability and the basis for preparing the accounts on a going concern basis as outlined below. The Audit Committee also reviewed and challenged the external auditor's report on these financial statements.

As discussed above, the effectiveness of the external audit function was considered during 2018. During the evaluation process, the Audit Committee considered the independence and objectivity of the external auditor; the make-up and quality of the audit team, the proposed audit approach and the scope of the audit; the execution of the audit and the quality of the audit report to the shareholders, as well as ultimately the fee structure.

The Audit Committee discussed reports from PwC as the Group's internal auditor on their audit and assessment of the control environment. The Committee reviewed and proposed areas of focus for the internal audit programme of review including the approach to ensure that the internal audit activity continues to be aligned to the principal Group risks.

Financial reporting

The primary focus of the Audit Committee, in relation to financial reporting in respect of the year ended 31 December 2018, was to review with both management and the external auditor the appropriateness of the half-year and annual financial statements concentrating on:

- The quality and acceptability of accounting policies and practices
- The clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements
- Material areas in which significant judgements have been applied or where there has been discussion with the external auditor
- Whether the Annual Report and Accounts taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy

The Audit Committee's assessment of the annual report to ensure that it is fair, balanced and understandable took into account the following considerations:

- A review of what fair, balanced and understandable means for Unite
- The high level of input from the Chief Executive Officer and Chief Financial Officer with early opportunities for the Board to review and comment on the annual report
- Ensuring consistency in the reporting of the Group's performance and management information (as described on pages 22 to 23), risk reviews (as described on pages 24 to 27), business model and strategy (as described on pages 12 and 13)
- A cross-check between Board Minutes and the annual report is undertaken to ensure that reporting is balanced
- Whether information is presented in a clear and concise manner illustrated by appropriate KPIs to facilitate shareholders' access to relevant information

To aid our review, the Audit Committee considers reports from the Group Financial Controller and reports from the external auditor on the outcomes of their half-year review and annual audit. As an Audit Committee, we support Deloitte in displaying the necessary professional scepticism their role requires.

Significant issues considered by the Committee

After discussion with both management and the external auditor, the Committee determined that the key risk of misstatement of the Group's 2018 financial statements related to:

- Property valuations
- REIT compliance
- Joint venture accounting

Property valuations

The Group's principal assets are investment properties and investment properties under development that are either owned on balance sheet or in USAF or LSAV. The investment properties are carried at fair value based on an appraisal by the Group's external valuers who carry out the valuations in accordance with the RICS Red Book valuation guide, taking into account transactional evidence during the year. The valuation of property assets involves significant judgement and changes in the core assumptions could have a significant impact on the carrying value of these assets.

Management discusses the underlying performance of each asset with the external valuers and provides detailed performance data to them including rents, University lease agreements, occupancy, property costs and costs to complete (for development properties). Management receives detailed reports from the valuers and performed a detailed review of the valuations to ensure that management considers the valuations to be appropriate. The valuation report is reviewed by the Chief Financial Officer and the Property Director prior to sign-off.

During the year, the Committee and/or the Board met with members of the Group's valuer panel and challenged them on the basis of their valuations and their core assumptions, including the yield for each property, rental growth and forecast costs. The Directors questioned the external valuers on market trends and transactional evidence that supports the valuations. The Audit Committee was satisfied that the Group's valuers were appropriately qualified and provided an independent assessment of the Group's assets. The Audit Committee was satisfied that an appropriate valuation process had taken place, the core assumptions used were reasonable and hence the carrying value of investment and development properties in the financial statements was appropriate.

ACCOUNTABILITY: AUDIT COMMITTEE REPORT CONTINUED

The external auditor explained the audit procedures to test the valuation of investment and development properties and the associated disclosures. On the basis of the audit work, the external auditor reported no inconsistencies or misstatements that were material in the context of the financial statements as a whole.

Further analysis and details on asset valuations are set out on page 36.

REIT compliance

As a REIT, profits from the Group's property rental business and gains on disposal of property assets are exempt from UK corporation tax. As a result the Group does not recognise a deferred tax liability in relation to unrealised gains on investment properties or accelerated capital allowances on property rental business assets. Maintaining REIT status involves significant judgement about the future performance of the business and compliance with the REIT rules and there would be a material impact on the Group's tax charge and financial results of not remaining compliant with the REIT regime.

The Group monitors compliance with the REIT requirements on a quarterly basis to confirm that the interest cover test and balance of business test in relation to income are met. The balance of business test relating to assets is determined based on figures at 1 January 2018 and so compliance has already been confirmed for the year.

The Group has modelled tax adjusted property business profits for five years and declared PIDs in respect of the May 2018 and November 2018 distributions to ensure that the PID requirement will be satisfied. The combined PID from the distributions made during 2018 comprise 86% of the Group's forecast tax-exempt property rental business profit, leaving a small amount that can be paid as part of the May 2019 distribution.

Joint venture accounting

Two of Unite's significant assets are its investments in USAF and LSAV which the Group has historically accounted for as joint ventures.

The Group reports under IFRS 10 - 12 which provides guidance on how an investor should account for its interests in other entities including a definition of control and guidance on how to classify and account for jointly controlled arrangements. During the year management undertook a detailed review of its classification for both USAF and LSAV, and following that analysis concluded that both USAF and LSAV should continue to be treated as joint ventures. The Audit Committee considered this and agreed there was no material change and accordingly it was appropriate to continue to account for USAF and LSAV as joint ventures under IFRS 11, with Unite recording its 24.8% share of the results and net assets of USAF as a joint venture using equity accounting and likewise 50% for LSAV.

Risk management

The Group's risk assessment process and the way in which significant business risks are managed is a key area of focus for the Audit Committee.

Our work here was driven primarily by performing an assessment of the approach taken by the Group's Risk Committee. The Risk Committee is responsible for the delivery of the Group's Risk Management Framework, which the Audit Committee has approved, and the Group's assessment of its principal risks and uncertainties, as set out on pages 28 to 31.

The Board also formally reviewed the Group's principal risks at two meetings during the year. Through these reviews, the Audit Committee considered the risk management procedures within the business and was satisfied that the key Group risks were being appropriately managed.

The risk assessment flags the importance of the internal control framework to manage risk and this forms a separate area of review for the Audit Committee.

Internal controls

Led by the Group's risk assessment process, we reviewed the process by which the Group evaluated its control environment. Management is responsible for establishing and maintaining adequate internal controls. Internal controls are designed to provide reasonable assurance regarding (among other things) the reliability of financial reporting and the preparation of the financial statements for external reporting purposes. A comprehensive strategic planning, budgeting and forecasting process is in place. Monthly financial information and performance insight is reported to the Board.

The Audit Committee's work to review the effectiveness of the internal controls was driven by the Group Financial Controller's reports on the effectiveness of internal controls, supported by the work of the internal auditor and its reports to the Audit Committee. The feedback from the Group's internal auditor on specific areas of control is tested on a periodic basis and our external auditor is requested to provide specific feedback and assessment of the Group's financial controls and highlight any areas of weakness. No significant weaknesses were identified through the course of the Audit Committee's reviews.

Internal audit

The Group engages PwC to perform internal audit activity, with this internal audit function reporting directly to the Audit Committee.

The Audit Committee considered and approved the scope of the internal audit activity to be undertaken during 2018 and looking forward on a twelve-month basis to ensure that the internal audit approach is more adaptable to the risk environment. The Audit Committee also discussed and challenged the output from the internal audit reviews undertaken in the prior year and concluded that the reviews provided good support for statements made by management and that the control environment is robust in the areas tested over the last three years.

During the year, PwC focused their internal audit work on REIT requirements, cyber security, supplier management and maintenance management. Overall, PWC concluded that there were no significant issues and controls were well designed, but noted there were some areas of improvement to be made to maximise controls and operational efficiency, which management is in the process of implementing.

External audit

The effectiveness of the external audit process is facilitated by appropriate audit risk identification at the start of the audit cycle which we receive from Deloitte in a detailed audit plan, identifying their assessment of these key risks.

For the 2018 financial year, the significant risks identified were in relation to valuation of properties, REIT compliance, classification of joint ventures, revenue recognition and management override. These focus areas were discussed at the Audit Committee and it was agreed that they should be the principal areas of focus as they represent the areas with the greatest level of judgement and materially impact the overall performance of the Group. These risks are tracked through the year and we challenged the work done by the auditor to test management's assumptions and estimates around these areas.

We assess the effectiveness of the audit process in addressing these matters through the reporting we receive from Deloitte at both the half-year and year end, and also reports from management on how these risks are being addressed.

For the 2018 financial year, the Audit Committee was satisfied that there had been appropriate focus and challenge on the primary areas of audit risk and assessed the quality of the audit process to be good. We hold private meetings with the external auditor at each Audit Committee meeting to provide additional opportunity for open dialogue and feedback from the Audit Committee and the auditor without management being present. Matters typically discussed include:

- The auditor's assessment of business and financial statement risks and management activity thereof
- The transparency and openness of interactions with management, confirmation that there has been no restriction in scope placed on them by management and the independence of their audit
- How they have exercised professional scepticism.

I also meet with the external lead audit partner outside the formal Audit Committee process.

Independence and external audit tender

The Audit Committee considers the re-appointment of the external auditor, (including the rotation of the audit partner which is required every five years), each year and also assesses their independence on an ongoing basis. 2018 is the fourth year during which Deloitte has been the Group's external auditor. Judith Tacon is the engagement partner and has been on the audit team since Deloitte's appointment. The 2019 year end audit will be the last year under the Financial Reporting Council's APB Ethical Standards that Judith Tacon will be able to hold the role of Senior Statutory auditor. We will therefore be considering a transition plan during the coming year.

The Audit Committee reviewed Deloitte's audit work and determined that appropriate plans are in place to carry out an effective and high quality audit. Deloitte confirmed to the Audit Committee that it maintained appropriate internal safeguards to ensure its independence and objectivity. As part of the Audit Committee's assessment of the ongoing independence of the auditor, the Audit Committee receives details of any relationships between the Group and Deloitte that may have a bearing on their independence and receives confirmation that they are independent of the Group.

As discussed above, an assessment of Deloitte's effectiveness, its processes, audit quality and performance was undertaken in May 2018 following completion of the 2017 audit.

The Committee confirms compliance with the provisions of CMA Order 2014.

Non-audit services

To further safeguard the objectivity and independence of the external auditor from becoming compromised, the Committee has a formal policy governing the engagement of the external auditor to provide non-audit services. No material changes have been made to this policy during the year. This precludes Deloitte from providing certain services, such as valuation work or the provision of accounting services.

For certain specific permitted services (such as reporting accountant activities and compliance work) the Audit Committee has pre-approved that Deloitte can be engaged by management, subject to the policies set out above, and subject to specified fee limits for individual engagements and fee limits for each type of specific service. For all other services, or those permitted services that exceed the specified fee limits, I as Chairman, or in my absence, another member can pre-approve permitted services.

During 2018, the combined fees for the non-audit services performed by Deloitte were £0.2 million, which predominantly relates to reporting accountant services provided in respect of the unsecured bond issued during the year and the final phases of the previously approved consulting services provided by Market Gravity. During the year Deloitte charged the Group £0.4 million for audit services.

The Audit Committee is comfortable that the auditor's objectivity and independence have not been compromised due to the nature of the reporting accountant procedures and work undertaken by Market Gravity not involving management decision-making, preparation of financial data or the design and implementation of internal controls.

The Audit Committee approved the fees for audit services for 2018 after a review of the level and nature of work to be performed, including the impact of the equity issuance, REIT compliance and accounting standard changes, and after being satisfied by Deloitte that the fees were appropriate for the scope of the work required. These fees are also benchmarked against other listed real estate companies of comparable size and complexity.

Audit Committee evaluation

The Audit Committee's activities formed part of the evaluation of Board effectiveness performed in the year. Details of this process can be found under 'Performance evaluation'.

Ross Paterson
Chair – Audit Committee
27 February 2019

ACCOUNTABILITY: HEALTH & SAFETY COMMITTEE REPORT

Safe and Secure is the first of our three brand promises – the cornerstone of providing a home for each of our c.50,000 students.

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Professor Sir Tim Wilson
Chair of the Health & Safety Committee

Unite Students is home to c.50,000 students. For many, this is their first time living away from home. *Being safe and secure is at the heart* of everything we do – our focus on the safety and wellbeing of all our customers, employees, contractors and other visitors to our properties.

Fire has always been identified as our biggest safety risk. Following the lessons of the Grenfell Tower tragedy, during 2018 we continued to improve the safety of our properties with the comprehensive replacement of cladding at Olympic Way in London, Waverley House in Bristol and Concept House and Sky Plaza in Leeds. Sky Plaza also simultaneously received a £4.1m investment in internal safety works with the installation of sprinklers, hob watchers and door screechers and an upgrade to the fire alarm and AOVs (automatic opening vents).

Greetham Street, Portsmouth passed the BS8414 test and thus complies with The Ministry of Housing, Communities and Local Housing (MHCLG) guidance. We are also replacing the cladding at St Pancras Way, London.

We are now conducting a fire strategy review of all our properties and, following the Hackitt Review, we have appointed a Fire Safety Manager in Q4, 2018 to help implement recommendations. These include ensuring the 'golden thread' of information per property. This will ensure there is a digital, single repository of information per building from design through to construction and any later changes in occupation.

We also continue to work closely with Avon Fire & Rescue as our Primary Authority to receive assured advice throughout our properties. This *helps ensure we continue to develop, implement* and share best practice.

Alongside this comprehensive fire safety work, we also embarked on a bold student safety campaign. This targeted student fire safety and personal student safety. There is more on this student safety campaign below.

Sir Tim Wilson
Chair – Health and Safety Committee

Committee overview

Composition

- *Sir Tim Wilson (Chair)*
- Elizabeth McMeikan
- Richard Smith
- Ilaria del Beato

Role

The role of the Health & Safety Committee is to:

- Ensure that the Group's Health and Safety policies and procedures are reviewed annually and effectively implemented to ensure legal requirements are met as well as striving for best practice
- Ensure that the business is aware of regulatory changes and understands the impact upon the business
- Remain updated on performance and any major health and safety incidents so as to ensure management identifies and implements appropriate corrective actions

Activities in 2018

Student safety campaign

During 2018, we hosted another student safety campaign. This focused on fire safety and personal student safety.

The campaign was targeted to run soon after student check-in and was co-ordinated with local fire & rescue services and Police Community Service Officers.

This year, we were supported by a student vlogger passionate about fire safety. This involved filming video content at the Avon Fire & Rescue station near our Head Office in Bristol and sharing peer-led material throughout our digital channels. This generated lots of positive feedback and local media interest, helping reinforce the importance of safety to our students.

External safety audit

In addition to fire safety experts, we also work with The British Safety Council to provide independent external assurance on our health and safety effectiveness.

During 2018, the British Safety Council completed a 'Five Star Occupational H&S Audit.' The primary objective of this is to determine the progress made by the organisation since our first BSC audit in 2016. This review showed we are making improvements in our health and safety management system and safety culture and we progressed from a 'Good' to 'Very Good' rating.

Safety at our Development sites

In our development activity, there was one RIDDOR reportable injury and 8 minor incidents in 2018. This represents good safety performance versus the industry norm, especially pleasing in a year in which we completed 7 schemes. This performance is within our Unite Students internal benchmarks – bearing the industry standards – as follows:

Total reportable incidents to date 2018

Project	Hours worked	Reportable incidents	Minor incidents
Chaucer House	27,676	0	0
International House	229,071	0	0
St Vincents	248,271	0	1
Brunel House	147,605	0	4
Skelhorne Street	353,168	0	1
New Wakefield St	18,720	0	1
Cowley Oxford	261,197	1	0
White Rose View	14,428	0	1
Totals	**1400136**	**1**	**8**

We have also carried out a number of safety and wellbeing initiatives during 2018 to drive better safety at our Development sites. These include:

- New site branding and safety signage designed for all sites and piloted at Cowley Barracks, Oxford. These help drive the Unite safety message and remind Development operatives of the standards expected on our sites
- Unite provided mobile welfare units on site to allow operatives to have health checks (e.g., blood pressure, cholesterol, BMI) and discuss any related issues. This is to reinforce safety and wellness at our sites
- We organised motivational safety talks on site for our 3 framework contractors, whereby an ex-tradesman who was paralysed following what should have been an innocuous incident talks about the impact on his life, family and friends. This proved a hard-hitting and thought-provoking session which makes operatives 'think twice' about safety on site
- All Unite Development Project Managers have undertaken H&S training and are now Considerate Constructors Scheme card holders. This aligns Unite with our supply chain and helps keep H&S top of mind.

During 2019, we aim to build on safe and secure and the safety performance at our Development sites, aligning with our broader aim to put 'health' back into health & safety. Activities include:

- We are currently a client partner of the Considerate Constructor Scheme and our average site inspection scores put us in the top 7% of sites nationally. In 2019, we are looking to raise the bar even further with our development sites at Tower North, Leeds and New Wakefield Street, Manchester being our first 'ultra sites'. This requires us to do more as regards to our neighbours, the environment, site appearance and aligns with Unite's safe and secure commitment
- We will provide an on-site screening facility for prostate related issues, following the passing of one of our framework contractor site managers working at Cowley Barracks, Oxford
- Our Development Project Managers will undergo mental health first aid training and we will explore the provision of wellbeing areas and counsellors on site

This year, the British Safety Council audit was complemented with an additional audit of our fire safety management processes and fire safety at our properties. This provided us with assurance that our end-to-end processes at Unite Students operate to very high standards.

Our next BSC safety audit is scheduled for Q4 2019. This audit will be expanded to include a detailed construction audit for the first time.

Mental health and wellbeing

Mental health for young people continues as an increasing concern for the Higher Education sector and also for us at Unite, especially since we are home to so many young people while they are at University. Employees receive mental health first-aid training to look for signs and signpost help. The student support services team provides support to employees and students alike and works closely with University support teams.

Crisis management

During the year, we refreshed our Crisis Management Plan to ensure it keeps up to date with the emerging threats and risks. As part of this refresh, we also conducted five crisis management tests, both in our operating properties and our head office in Bristol, to really challenge the effectiveness and resilience of our crisis planning and procedures. We continue to run crisis management tests with different and dynamic scenarios to help prepare us as best as possible for crisis events.

Incidents

Incidents involving our employees, customers or visitors:

- Six reportable injuries (under RIDDOR) involving employees and customers (classed as members of the public)
- 263 minor (non-reportable) incidents – involving employees, customers and contractors

Employee wellness

This year, we trialled a renewed approach to DSE (Display Screen Equipment) training and workplace assessments. We are also developing a Wellbeing Strategy for our People.

Accident and incident reporting

We have incorporated data from our AIMS (Accident and Incident Management System) into our new Business Intelligence tool to enable us to interrogate data, identify trends and drive improved safety actions.

Top-five focus areas for 2019

We have streamlined our safety approach to focus on the following five high priority areas through 2019:

- Fire safety
- Security
- Contractor safety
- Manual handling
- Work at height

In parallel, we will put the 'health' back into health and safety with a particular focus on mental health.

Sir Tim Wilson
Chairman
27 February 2019

ANNUAL STATEMENT OF THE CHAIR OF THE REMUNERATION COMMITTEE

The Committee's focus in 2018 has been reviewing our Remuneration policy, with the aim of simplifying pay arrangements and continuing to support the interests of our stakeholders.

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Elizabeth McMeikan
Chair of the Remuneration Committee

Dear Shareholder,
On behalf of the Board, it is my pleasure to present the Directors' Remuneration Report for 2018.

As in previous years, this report is split into three sections: this Annual Statement, the Policy Report and the Annual Report on Remuneration. This year, we will be asking our shareholders to approve a new remuneration policy at our Annual General Meeting. The background to, and the reasons for the proposed changes are set out later in this Annual Statement.

2018 performance and reward

Unite continued to make excellent progress in 2018. Financial highlights included a 25% increase in EPRA earnings (13% on a per share basis), a total accounting return of 13% and a further significant increase in our annual dividend. Our three-year Total Shareholder Return (TSR) has continued to materially outperform the FTSE 350 Real Estate Index, with an investment of £100 in Unite shares in December 2015 worth £134 as at 31 December 2018, compared to only £89 for a similar investment in the Index. Operational performance has been similarly pleasing with continued high occupancy rates, customer satisfaction levels and University trust scores reflecting Unite's strong brand and operating platform, the quality of our portfolio and our deep relationships with universities.

Reflecting this continued strong performance, the Committee has confirmed that Executive Directors will each receive bonuses of 107% of salary (cf. a maximum of 144% of salary) in respect of 2018. This overall outcome reflects another year of strong financial performance by the Group and the contributions made by both Directors over the past year. Further details, including bonus targets, outcomes and details of personal achievements are included on pages 87 to 89.

With regard to long-term incentives, performance share awards made in June 2016 were tested for performance at 31 December 2018. These awards were based equally on EPS, TAR and TSR outperformance of the FTSE 350 Real Estate 'Supersector' Index. Over the three-year performance period the Company's Earnings Per Share (EPS) and TAR performance was in the upper end of the stretching performance ranges set by the Committee, with 63.4% and 82.3% of these elements vesting respectively. As outlined earlier, Unite's TSR significantly outperformed that of the Index over the period, with this element vesting in full. Overall vesting of the 2016 awards was therefore 81.9%. In approving this outcome, the Committee satisfied itself that the vesting level reflects the underlying performance of the Company and the continued progress made over the past three years. Awards will be subject to a two year holding period following formal vesting in June 2019, and will only be released to Executive Directors in June 2021. Further details are included on page 89.

Executive Directors were each granted an award under the LTIP in April 2018 which will vest based on performance over the three financial years to 31 December 2020. These awards will vest only to the extent that challenging EPS, TAR and relative TSR targets are achieved over the period, with any award vesting required to be held for an additional two-year period in line with our remuneration policy. Further details are included on page 91.

Taken as a whole, the Committee is satisfied that overall pay outcomes in respect of the year ended 31 December 2018 are appropriate and reflect Unite's performance across the various time horizons covered. Our remuneration structure rightly places a significant weighting on variable pay, rewarding executives for delivering against stretching short- and long-term targets aligned with Company strategy. The annual bonus outcome reflects another good year, with strong financial, operational and individual performance generating an overall outcome of 74.3% of maximum. This compares favourably to 2017 (63.6% of maximum), which the Committee believes is appropriate taking all factors into account. Vesting of the 2016 LTIP – which constitutes the largest part of each Executive Director's single figure for the year – reflects strong longer-term financial and operational performance, and further significant value creation over the three-year measurement period. Accordingly, the Committee has not exercised any discretion in relation to the outcome of the variable pay schemes.

Review of the Directors' Remuneration Policy

The 2019 AGM marks the third anniversary of the adoption of the current Directors' Remuneration Policy and in line with UK reporting regulations we are required to submit a new Policy to shareholders for approval this year. Given this the Committee has spent much of its time during 2018 reviewing the existing pay arrangements to ensure they remain appropriate for Unite over the coming years.

The Committee's review of the Remuneration Policy began with revisiting the principles which guide our approach to senior executive pay. While these principles generally remain fit-for-purpose, we have made small amendments in a couple of areas: in particular, making sure that we are clearer on the need to consider the needs of all stakeholders in determining executive pay. We have also added a final, overarching principle which calls for executive remuneration to support the values and culture of the Group, to be simple and easy to understand, to be openly communicated to stakeholders and to be aligned with pay philosophies across the Group. The revised principles are outlined on page 79.

In accordance with this final principle, the changes to Executive Director remuneration are primarily focused on simplifying pay arrangements and ensuring variable incentives continue to target the right measures to deliver the Group's longer-term strategy. In finalising these changes, the Committee took into account helpful feedback received from shareholders during a consultation process, as well as changes to the UK Corporate Governance Code and updates to investor body principles and guidelines made during 2018.

The background and rationale for the main changes are as follows.

Annual bonus – Changes to the annual bonus were debated by the Committee in some detail: in particular, whether it made sense to depart from the current multiplicative system which had served the Company so well in recent years. In the end, it was agreed that an additive approach would be simpler, easier to communicate to stakeholders, and easier to cascade throughout the organisation.

Along with the change to a more market-typical additive combination of measures, the Committee has also modified the performance schedules such that they follow a three-point approach of threshold, on-target and maximum. This represents a further simplification and helps us move away from the unusual arithmetic under the current bonus which could result in 144% of salary awarded for achieving all targets in full. Threshold performance will now deliver 30% of maximum under each element (a reduction from 42%) and on-target performance will deliver 50% of maximum, in line with typical market practice. Accordingly, overall on-target bonus for Executive Directors in 2019 will remain unchanged at 70% of salary, but maximum bonus will fall from 144% of salary to 140% of salary.

On performance measures, financial targets will constitute at least 70% of the maximum bonus each year, with the remainder made up of non-financial measures and personal/team objectives. Recognising mixed views on personal/team objectives and in particular investor feedback, the new policy caps the weighting on this element at 20% of the maximum bonus each year – albeit with an intention to use a 10% weighting for 2019. For 2019, the annual bonus will be based 25% each on adjusted EPS and TAR per share, 20% on net debt to EBITDA, and 10% each on customer satisfaction, University reputation and personal/team objectives.

A summary of headline changes to Unite's approach to executive remuneration is included in the table below:

[illegible]	[illegible]
Annual bonus	Simplification by removing the individual performance multiplier (now captured as an additive element) and adopting a three-point performance schedule (threshold, target and maximum) rather than the current four-point approach. – Reduction in maximum bonus opportunity (from 144% to 140% of salary) and in bonus paid for achieving threshold performance (from 42% to 30% of maximum). – Extension of bonus deferral requirements, with Executives who have met their shareholding guideline being required to defer any bonus earned over 100% of salary in Unite shares for two years going forward, in addition to the current requirement applying to Executives who have yet to meet their shareholding guidelines. – Rebalancing of performance measures, with financial measures making up at least 70% of total bonus opportunity, and with the remainder based on non-financial measures and on personal/team objectives (with the weighting on the latter being no more than 20% of total bonus opportunity).
LTIP	– Changes to target calibration and measurement, TAR to be measured on a relative basis (cf. absolute currently) and TSR to continue to be measured on a relative basis, but using a simple ranking (cf. index outperformance currently). Performance ranges for both measures to be set at median to upper quartile.
Pension	– Maximum Company pension contributions for new Executive Directors will be capped at the same percentage of salary offered to the broader workforce at the relevant time – Pension contributions for current Executive Directors to be capped from 1 March 2019
Shareholding guidelines	– Introduction of shareholding guidelines requiring departing Executive Directors to retain shares equivalent to the lower of actual shareholding on departure and the shareholding guideline effective immediately prior to departure, for a period of two years from the date of ceasing to be a Director
Other	– Corporate failure included as an explicit trigger in recovery provisions. – Dividend equivalents payable in respect of deferred annual bonus shares and vested LTIP awards to be delivered in additional shares (rather than cash) for awards made from 2017 onwards.

Corporate governance

ANNUAL STATEMENT OF THE CHAIR OF THE REMUNERATION COMMITTEE CONTINUED

Finally, and reflecting that our approach to-date has diverged from market best practice, the policy now includes a requirement for Executive Directors who have achieved their shareholding guidelines to defer any bonus earned over 100% of salary in Unite shares for two years. This will operate in addition to the current requirement for executives to have up to 50% of their bonus deferred for three years in the event that they do not meet their shareholding guideline.

LTIP – For 2019, the LTIP will continue to be based one third on adjusted EPS, one-third on relative TSR and one-third on TAR per share. In a couple of slight changes to previous years, and building on feedback from shareholders, we will measure TAR on a relative basis against the constituents of the FTSE 350 Real Estate Supersector Index and measure relative TSR on a ranking basis. Under both of these measures, threshold vesting will require Unite's TAR/TSR to be equivalent to the median ranked comparator, rising on a straight-line basis to full vesting for TAR/TSR equivalent to the upper quartile ranked comparator. This change ensures that Executive Directors are only rewarded for genuine outperformance of the sector and brings Unite more in line with the practice of peers.

We have also amended the Remuneration Policy wording to provide greater flexibility on the number of measures and their respective weightings at the start of each cycle (cf. 'three equally-weighted measures' as previously drafted). As noted above, the Committee has no immediate plans to change the LTIP performance measures, with this change simply removing unnecessary restrictions in the Policy. No changes are proposed to award sizes, or to the mandatory two-year holding period which has applied to all awards since 2016.

Other key changes – Consistent with the revised UK Corporate Governance Code, we are capping the company pension contribution rate for new Executive Director appointees to be in line with the level available to the majority of the workforce. The Committee is mindful of an upcoming review of employee pensions due to take place in 2019 which will determine what the specific percentage of salary will be, and will therefore clarify this in a future report. Existing Executive Directors have agreed to their pension contributions being capped at 1 March 2019 levels which will reduce the implied percentage of salary paid to these individuals over time.

Also reflecting the revised UK Corporate Governance Code and shareholder principles, we will be introducing an additional shareholding guideline requiring departing Executive Directors to retain shares equivalent to the lower of the actual shareholding on departure and the shareholding guideline effective immediately prior to departure, for a period of two years from the date of ceasing to be a Director. We have also taken the opportunity to review and refresh the recovery provisions applying to our annual bonus and LTIP, and will add in a trigger linked to corporate failure to apply to all future awards.

Change of personnel

After 13 years with Unite, Richard Simpson stepped down from his role as Group Property Director on 18 May 2018 and remained with the Group on garden leave until 31 December 2018 to ensure a smooth handover. Payments to Mr Simpson were made in line with our leaver policy. For the period 19 May 2018 to 31 December 2018, he continued to receive base pay, pension and other contractual benefits. Richard was not eligible to participate in the 2018 annual bonus and there was no payment in lieu of notice. His unvested incentive awards – including the final one-third of the 2015 LTIP – lapsed on 18 May 2018. Further details are included in the relevant section on page 91.

This year, we were pleased to welcome two new Non-Executive Directors, Ilaria Del Beato and Richard Akers, to the Unite Board, with Richard also joining the Remuneration Committee from the date of his appointment. Fees paid to Ilaria and Richard are in line with the fees paid to the other Non-Executive Directors, as disclosed on page 87.

Areas for future consideration

2018 saw the publication of additional remuneration reporting regulations, as well as a revised UK Corporate Governance Code. Although Unite's compliance with these new requirements is not strictly required until next year, in light of the policy review, you will note that we have sought to adopt many of the requirements early. In particular, shareholders will note that we are proposing to extend shareholding guidelines beyond employment with the Group and to limit pension contributions for future Executive Director hires. From a disclosure perspective, we have included Schedule 8 revisions around improving the pay scenario chart disclosure (see page 84) and quantifying the impact of share price appreciation on long term incentive outcomes (see pages 83 and 84). We are not yet in a position to disclose a ratio of CEO-to-employee pay, although the Committee fully supports this important development and is working with the Group People Director to ensure that we have meaningful disclosure next year and beyond.

Elizabeth McMeikan
Chair of Remuneration Committee
27 February 2019

Overview of Unite proposed Remuneration Policy and implementation

	Remuneration in respect of 2018	Overview of 2019 policy	Implementation of policy in 2019
Base salary	– Salaries increased by 2% effective 1 March 2018, as follows • CEO, Richard Smith = £447,370 • CFO, Joe Lister = £364,140 • Group Property Director, Richard Simpson = £338,130. See page 87	– Reviewed from time to time, with reference to salary levels for similar roles at comparable companies, to individual contribution to performance and to the experience of each Executive. See page 80	– Salaries increased by 2.5% in line with the broader employee population effective 1 March 2019, as follows: • CEO, Richard Smith = £458,556 • CFO, Joe Lister = £373,244. See page 92
Pension, benefits	– In line with policy See page 87	– For existing Executive Directors company pension contributions or an equivalent cash allowance, capped in monetary terms as follows: • CEO, Richard Smith = £91,710 • CFO, Joe Lister = £74,650 – For new Executive Director appointees, company pension contributions aligned with the broader workforce – Benefits typically consist of the provision of a company car or a car allowance, and private health care insurance. See page 81	– Company contributions to Executive Director pensions to be capped (see left) – No change to benefits for 2019 See page 92
Annual bonus	– Annual bonuses of 104% of salary for each Executive Director (74.3% of maximum opportunity) based on: • A corporate scorecard outcome of 97.3% of salary (out of 120%) • Individual performance multipliers of 1.1x (cf. 1.2x maximum) – Bonuses to be paid in cash in early 2019 as each Director has met their shareholding guidelines. See page 87	Maximum annual bonus opportunity for all Executive Directors of 140% of salary – Performance measures typically include both financial and non-financial metrics, as well as the achievement of individual objectives Where an individual has met their shareholding guidelines, any bonus over 100% of salary is deferred in shares for two years, where an individual has not met their shareholding guidelines, up to 50% of bonus earned is deferred in shares for three years – Malus and clawback provisions apply. See page 81	– Maximum annual bonus opportunities to be lowered to 140% of salary 2019 bonuses to be based: • 25% on adjusted EPS • 25% on TAR per share • 20% on net debt to EBITDA • 10% on customer satisfaction • 10% on University reputation • 10% on personal/team objectives. See page 92
LTIP	– 2016 LTIP vested at 81.9% based on: • 2018 adjusted EPS of 34.1p vs. a stretch target of 38.0p • TAR over the period 2016–18 of c.46.8% vs. a stretch target of 52.1%; and • Relative TSR outperformance of the FTSE 350 Real Estate Index of 15.3% p.a vs. a stretch target of 9% p.a See page 89	Maximum award size for all Executive Directors of 200% of salary in normal circumstances Awards vest subject to performance over a three-year period. Vested shares are typically subject to an additional two-year holding period – Malus and clawback provisions apply See page 81	– Awards of 200% of salary to be made to each Executive Director in April 2019 Performance to be measured over the period 1 January 2019 to 31 December 2021 against EPS, relative TAR and relative TSR, each weighted one-third – Two-year holding period will apply to vested shares. See page 92

ANNUAL STATEMENT OF THE CHAIR OF THE REMUNERATION COMMITTEE CONTINUED

2018 Remuneration at a glance

2018 Single total figure of remuneration for current Executive Directors

	Richard Smith	Joe Lister
Salary	445,910	362,950
Taxable benefits	15,920	16,424
Pension benefit	72,081	54,573
Annual bonus	478,822	389,739
LTIP	982,975	800,235
Other	0	2,250
Total	**1,995,708**	**1,636,121**

2018 Annual bonus outcomes

Corporate targets

		Threshold	Target		Stretch			
Measure	Weight	50% of salary	70% of salary	100% of salary	130% of salary	Actual	Vest (% salary)	Corporate vesting
Adjusted EPS	25%	33.1p	34.5p	36.6p	37.9p	34.1p	16.1%	
TAR per share	25%	62p	69p	77p	83p	93p	30.0%	
Net debt to EBITDA ratio	25%	7.1x	6.8x	6.4x	6.1x	6.1x	30.0%	97.3%
Customer satisfaction	12.5%	81	82	83	84	83	2.5%	
University reputation	12.5%	80	8	82	83	81	8.8%	

Overall

			Overall bonus outcome		
Executive	Corporate vesting	Personal multiplier	% of salary	% of maximum	£
Richard Smith	97.3%	1.1x	107.0%	74.3%	478,822
Joe Lister		1.1x	107.0%	74.3%	389,739

2016–2018 LTIP outcomes

Targets

		Threshold	Stretch			
Measure	Weight	25% vest	100% vest	Actual	% vest	Overall % vest
2018 Adjusted EPS	1/3	30.0p	38.0p	34.1p	63.4%	
TAR (2016–2018)	1/3	29.5% (9% p.a.)	52.1% (15% p.a.)	46.8% (13.6% p.a.)	82.3%	81.9%
Relative TSR outperformance	1/3	Index	Index +9% p.a.	Index +15.3% p.a.	100%	

Overall vesting

Executive	Overall % vest	Shares vesting	Date vesting	Estimated value inc dividends
Richard Smith	81.9%	110,454	23 June 2019	£982,975
Joe Lister		90,030	(exercisable from 23 June 2021)	£800,235

DIRECTORS' REMUNERATION POLICY

This report has been prepared in accordance with the provisions of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). It also meets the requirements of the UK Listing Authority's Listing Rules and the Disclosure and Transparency Rules.

In accordance with the Regulations, the following sections of the Remuneration Report are subject to audit: the single total figure of remuneration for Directors and accompanying notes (pages 86 to 95), scheme interests awarded during the financial year (page 91), payments to past Directors (page 91), payments for loss of office (page 91) and the statement of Directors' shareholdings and share interests (pages 94 and 95). The remaining sections of the report are not subject to audit.

The Committee is seeking shareholder approval for a new Remuneration Policy at the 2019 AGM. A summary of the principal changes compared to the previously approved policy is provided in the Annual Statement above, and identified in the relevant sections below.

The Group aims to balance the need to attract, retain and motivate Executive Directors and other senior executives of an appropriate calibre with the need to be cost effective, whilst at the same time rewarding exceptional performance. The Committee has designed a remuneration policy that balances those factors, taking account of prevailing best practice, investor expectations and the level of remuneration and pay awards made generally to employees of the Group.

In addition to the above, the remuneration policy for the Executive Directors and other senior executives is based on the following key principles:

- A significant proportion of remuneration should be tied to the achievement of specific and stretching performance conditions that align remuneration with the creation of shareholder value and the delivery of the Group's strategic plans, taking care to consider the needs of all stakeholders
- There should be a focus on sustained long term performance, with performance measured over clearly specified timescales encouraging executives to take action in line with the Group's strategic plan, using good business management principles and taking well considered risks
- Individuals should be rewarded for success, but steps should be taken, within contractual obligations, to prevent rewards for failure – whether financial or operational
- Above all, executive remuneration should support the values and culture of the Group. Pay should be simple and easy to understand, with all aspects clear and openly communicated to stakeholders and with alignment with pay philosophies across the Group.

DIRECTORS' REMUNERATION POLICY CONTINUED

This section of the report sets out the policy for Executive Directors which the Company is asking shareholders to approve at the 2019 AGM. It is intended that the revised policy will come into effect from that date

Policy table

Function	Operation	Opportunity	Performance metrics
Base salary To recognise the individual's skills and experience and to provide a competitive base reward.	Base salaries are reviewed from time to time, with reference to salary levels for similar roles at comparable companies, to individual contribution to performance, and to the experience of each executive.	Any base salary increases are applied in line with the outcome of the review as part of which the Committee also considers average increases across the Group. In respect of existing Executive Directors, it is anticipated that salary increases will generally be in line with those of salaried employees as a whole. In exceptional circumstances (including, but not limited to, a material increase in job size or complexity) the Committee has discretion to make appropriate adjustments to salary levels to ensure that they remain market competitive.	None
Pension To provide an opportunity for executives to build up income upon retirement.	All executives are either members of The Unite Group Personal Pension scheme or receive a cash pension allowance. Salary is the only element of remuneration that is pensionable.	Existing Executive Directors receive a company pension contribution or an equivalent cash allowance which is capped in monetary terms at 20% of the salary effective at 1 March 2019, as follows: - Richard Smith: £91,710 - Joe Lister: £74,650 For future Executive Director appointees, the maximum company pension contribution will be aligned to that offered to a majority of employees across the Group in percentage of salary terms	None

Changes to 2016 Policy: Capping of company pension contributions for existing Executive Directors in monetary terms and a reduction in maximum company pension contributions for future Executive Director appointees.

Function	Operation	Opportunity	Performance metric
Benefits To provide non-cash benefits which are competitive in the market in which the executive is employed.	Executives receive benefits which consist primarily of the provision of a company car or a car allowance, and private health care insurance, although they can include any such benefits that the Committee deems appropriate.	Benefits vary by role and individual circumstances; eligibility and cost are reviewed periodically. The Committee retains the discretion to approve a higher cost in certain circumstances (e.g. relocation) or in circumstances where factors outside the Company's control have changed materially (e.g. increases in insurance premiums).	None
SAYE To encourage the ownership of shares in Unite.	An HMRC approved scheme whereby employees (including Executive Directors) may save up to the maximum monthly savings limit (as determined by prevailing HMRC guidelines) over a period of three years. Options granted at up to a 20% discount.	Savings are capped at the prevailing HMRC limit at the time employees are invited to participate.	None
Performance Related Annual Bonus To incentivise and reward strong performance against financial and non-financial annual targets, thus delivering value to shareholders and being consistent with the delivery of the strategic plan.	Performance measures, targets and weightings are set at the start of the year. At the end of the year, the Remuneration Committee determines the extent to which targets have been achieved. The delivery of bonus payments is dependent on whether an individual has achieved their shareholding guideline at the end of the relevant financial year, as follows: - Shareholding guideline achieved: any annual bonus earned over 100% of salary will be deferred for two years; - Shareholding guideline not achieved: up to 50% of the annual bonus payable will be deferred for three years. In both cases, deferral is satisfied by an allocation of shares in the Company, which are held in the Employee Share Ownership Trust. Awards under the Performance Related Annual Bonus are subject to malus and clawback provisions, further details of which are included as a note to the policy table.	For Executive Directors, the maximum annual bonus opportunity is 140% of base salary. Up to 30% of maximum will be paid for threshold performance under each measure and up to 50% of maximum will be paid for on-target performance. A payment equal to the value of dividends which would have accrued on vested deferred bonus shares will be made following the release of awards to participants, either in the form of cash or as additional shares. It is the Committee's current intention to make any future dividends payments from the 2020 financial year onwards in the form of shares.	Performance is assessed on an annual basis, as measured against specific objectives set at the start of each year. Financial measures will make up at least 70% of the total annual bonus opportunity in any given year. The remainder will be split between non-financial metrics and personal/team objectives according to business priorities, with the weighting on the latter being no more than 20% of the total annual bonus opportunity. The Committee has discretion to adjust the formulaic bonus outcomes both upwards (within the plan limits) and downwards (including down to zero) to ensure alignment of pay with performance, e.g. in the event of one of the targets under the bonus being significantly missed or unforeseen circumstances outside management control. The Committee also considers measures outside the bonus framework (e.g. H&S) to ensure there is no reward for failure. For 2019 financial metrics, non-financial metrics and personal/team objectives will make up 70%, 20% and 10% of the total annual bonus opportunity respectively. Further details of the measures, weightings and targets applicable are provided on page 92.

Changes to 2016 policy: introduction of mandatory bonus deferral of any bonus amounts over 100% of salary for two years for Executive Directors who have met their shareholding guidelines. Lowering of the maximum bonus opportunity from 144% of salary to 140%. Reduction of threshold vesting from 42% of maximum to 30% of maximum. Increase to the weighting on the financial measures (to at least 70% of total bonus) and capping of the weighting on personal/team objectives (to no more than 20% of total bonus).

DIRECTORS' REMUNERATION POLICY CONTINUED

Function	Operation	Opportunity	Performance metrics
LTIP To drive sustained long-term performance that supports the creation of shareholder value	The LTIP comprises a Performance Share Plan (PSP) and an Approved Employee Share Option Scheme (ESOS). The ESOS is used to deliver a proportion of the LTIP in a tax-efficient manner, and is subject to the same performance conditions as awards made under the PSP. Award levels and performance conditions are reviewed before each award cycle to ensure they remain appropriate and no less stretching than the first cycle. Awards under the LTIP are subject to malus and clawback provisions, further details of which are included as a note to the policy table.	The LTIP provides for an award up to a normal aggregate limit of 200% of salary for Executive Directors, with an overall limit of 300% of salary in exceptional circumstances. The current intention is to award each Executive Director awards equivalent to 200% of salary. Awards may include a grant of HMRC approved options not exceeding £6,000 per annum, valued on a fair value exchange (currently 50-60% of a PSP award). A payment equal to the value of dividends which would have accrued on vested shares will be made following the release of awards to participants, either in the form of cash or as additional shares. It is the Committee's current intention to make any future dividends payments from the 2020 financial year onwards in the form of shares.	Vesting of LTIP awards is subject to continued employment and performance against relevant metrics measured over a period of at least three years. The Committee will select performance measures ahead of each cycle to ensure that they continue to be linked to the delivery of the Company strategy. Under each measure, threshold performance will result in up to 25% of maximum vesting for that element, rising on a straight-line to full vesting. If no entitlement has been earned at the end of the relevant performance period, awards will lapse. A proportion of vested awards may, at the discretion of the Committee, be subject to a holding period following the end of a three-year vesting period. The Committee's current intention is that all awards will be required to be held for an additional two-year period post vesting. As under the Performance Related Annual Bonus, the Committee has discretion to adjust the formulaic LTIP outcomes to ensure alignment of pay with performance, i.e. to ensure the outcome is a true reflection of the performance of the Company. Details of the measures and targets to be used for 2019 LTIP awards are included in the Annual Report on Remuneration on page 93.

Changes to 2016 policy: Minor wording changes, including removal of reference to 'three equally-weighted' measures.

Notes to the policy table

The Committee is satisfied that the above remuneration policy is in the best interests of shareholders and does not promote excessive risk taking.

For the avoidance of doubt, in approving this Directors' Remuneration Policy, authority is given to the Company to honour any commitments entered into with current or former Directors (such as the vesting or exercise of past share awards).

Performance measure selection and approach to target setting

Measures used under the Performance Related Annual Bonus and LTIP are selected annually to reflect the Group's main short- and long-term objectives and reflect both financial and non-financial priorities, as appropriate.

The Committee considers that EPS (currently used in both the short- and long-term incentive) is an objective and well-accepted measure of the Company's performance which reinforces the strategic objective of achieving profitable growth, while a focus on TAR (also currently used in both the short- and long-term incentive) is consistent with one of our stated objectives and a key indicator of Company performance in the real estate sector. The use of relative TSR is strongly aligned with shareholders and ensures that executives are rewarded only if they exceed the returns which an investor could achieve elsewhere in our sector.

Targets applying to the Performance Related Annual Bonus and LTIP are reviewed annually, based on a number of internal and external reference points. Performance targets are set to be stretching but achievable, with regard to the particular strategic priorities and economic environment in a given year. Under the bonus, target performance typically requires meaningful improvement on the previous year's outturn, and for financial measures, targets are typically in line with the upper end of market consensus.

Remuneration policy for other employees

Unite's approach to annual salary reviews is consistent across the Group, with consideration given to the level of experience, responsibility, individual performance and salary levels in comparable companies. The Company is now a fully accredited Living Wage employer.

In terms of variable incentives, all employees are eligible to participate in an annual bonus scheme with business area-specific metrics incorporated where appropriate. Senior managers are eligible to participate in the LTIP with annual awards currently up to 75% of salary. Performance conditions are consistent for all participants, while award sizes vary by level. Specific cash incentives are also in place to motivate, reward and retain staff below Board level.

All employees are eligible to participate in the Company's SAYE scheme on the same terms.

Shareholding guidelines

The Committee continues to recognise the importance of Executive Directors aligning their interests with shareholders through building up a significant shareholding in the Company. Shareholding guidelines are in place that require Executive Directors to acquire a holding (excluding shares that remain subject to performance conditions) equivalent to 250% of base salary for the Chief Executive and 200% of base salary for each of the other Executive Directors. Until the relevant shareholding levels are acquired, up to 50% of the annual bonus payable to the relevant Director will be subject to deferral into shares. Details of the Executive Directors' current shareholdings are provided in the Annual Report on Remuneration.

In order to provide further long-term alignment with shareholders and ensure a focus on successful succession planning, Executive Directors will normally be expected to maintain a holding of Unite shares for a period after their employment as a Director of the Group. This shareholding guideline will be equal to the lower of a Directors' actual shareholding at the time of their departure and the shareholding requirement in effect at the date of their departure, with such shares to be held for a period of at least two years from the date of ceasing to be a Director. The specific application of this shareholding guideline will be at the Committee's discretion.

Changes to 2016 policy: Introduction of a shareholding guideline after ceasing to be a Director of the Group.

Malus and clawback

Awards under the Performance Related Annual Bonus and the LTIP are subject to malus and, from 2015, clawback provisions which can be applied to both vested and unvested awards. Malus and clawback provisions will apply for a period of at least two years post-vesting. Circumstances in which malus and clawback may be applied include a material misstatement of the Company's financial accounts, gross misconduct on the part of the award-holder, error in calculating the award vesting outcome and, from 2019 awards onwards, corporate failure as determined by the Remuneration Committee.

Non-Executive Director remuneration

NED	Date of appointment
P M White	10 January 2009
R J T Wilson	December 2010
A Jones	18 October 2012
E McMeikan	13 November 2013
R Paterson	2 September 2017
R Akers	20 July 2018
I Beato	20 July 2018

Subject to annual re-election by shareholders Non-Executive Directors are appointed for an initial term of approximately three years. Subsequent terms of three years may be awarded. Current appointments will expire at the Annual General Meeting in 2019 in the case of Andrew Jones, at the Annual General Meeting in 2020 in the case of Elizabeth McMeikan and Sir Tim Wilson, and at the Annual General Meeting in 2021 in the case of Phil White. The appointment, re-appointment and the remuneration of Non-Executive Directors are matters reserved for the full Board.

The Non-Executive Directors are not eligible to participate in the Company's performance-related bonus plan, long-term incentive plans or pension arrangements.

Details of the policy on fees paid to our Non-Executive Directors are set out in the table below:

Function	Operation	Opportunity	Performance metrics
Fees To attract and retain Non-Executive Directors of the highest calibre with broad commercial and other experience relevant to the Company.	Fee levels are reviewed annually, with any adjustments effective 1 January in the year following review. The fees paid to the Chairman are determined by the Committee, while the fees of the Non-Executive Directors are determined by the Board. Additional fees are payable for acting as Senior Independent Director and as Chairman of any of the Board's Committees (Audit, Remuneration, Nomination, and Health and Safety). Fee levels are benchmarked against sector comparators and FTSE-listed companies of similar size and complexity. Time commitment and responsibility are taken into account when reviewing fee levels. Expenses incurred by the Chairman and the Non Executive Directors in the performance of their duties (including taxable travel and accommodation benefits) may be reimbursed or paid for directly by the Company, as appropriate.	Non-Executive Director fee increases are applied in line with the outcome of the annual fee review. Fees for the year commencing 1 January 2019 are set out in the Annual Report on Remuneration. Fee levels will be next reviewed during 2019, with any increase effective 1 January 2020. It is expected that increases to Non-Executive Director fee levels will be in line with salaried employees over the life of the policy. However, in the event that there is a material misalignment with the market or a change in the complexity, responsibility or time commitment required to fulfil a Non-Executive Director role, the Board has discretion to make an appropriate adjustment to the fee level.	None

Pay for performance scenarios

The charts overleaf provide an illustration of the potential future reward opportunities for the Executive Directors, and the potential split between the different elements of remuneration under four different performance scenarios: 'Minimum', 'On-target', 'Maximum' and 'Maximum including the impact of a 50% share price appreciation on LTIP awards'.

Potential reward opportunities are based on Unite's remuneration policy, applied to the base salaries effective 1 March 2019. The annual bonus and LTIP are based on the maximum opportunities set out under the remuneration policy for normal circumstances; being 140% of salary and 200% of salary respectively. Note that the LTIP awards granted in a year do not normally vest until the third anniversary of the date of grant, and the projected value is based on the face value at award rather than vesting (i.e. the scenarios exclude the impact of any share price movement over the period). The exception to this is the last scenario which, in line with the requirements of the UK Corporate Governance Code, illustrates the maximum outcome assuming 50% share price appreciation for the purpose of LTIP value.

DIRECTORS' REMUNERATION POLICY CONTINUED

Graph deleted

The 'minimum' scenario reflects base salary, pension and benefits (i.e. fixed remuneration) which are the only elements of the executive's remuneration packages not linked to performance.

The 'on target' scenario reflects fixed remuneration as above, plus bonus payout of 70% of salary and LTIP threshold vesting at 25% of maximum award.

The 'maximum' scenario is shown on two bases, excluding and including the impact of share price appreciation on the value of LTIP outcomes. In both cases, the scenario includes fixed remuneration and full payout of all incentives (140% of salary under the annual bonus and 200% of salary under the LTIP), with the final scenario also including the impact of a 50% increase in Unite's share price on the value of the LTIP (in effect valuing this element of pay at 300% of salary).

Approach to recruitment remuneration

External appointment to the Board

In the cases of hiring or appointing a new Executive Director from outside the Company, the Remuneration Committee may make use of all the existing components of remuneration, as follows:

Component	Approach	Maximum annual grant value
Base salary	The base salaries of new appointees will be determined by reference to relevant market data, experience and skills of the individual, internal relativities and their current basic salary. Where new appointees have initial basic salaries set below market, any shortfall may be managed with phased increases over a period of two to three years subject to the individual's development in the role.	
Pension	New appointees will receive company pension contributions or an equivalent cash supplement aligned to that offered to a majority of employees across the Group at the time of appointment.	
Benefits	New appointees will be eligible to receive benefits which may include (but are not limited to) the provision of a company car or cash alternative, private medical insurance and any necessary relocation expenses.	
SAYE	New appointees will also be eligible to participate in all employee share schemes.	
Performance Related Annual Bonus	The structure described in the policy table will apply to new appointees with the relevant maximum being pro-rated to reflect the proportion of employment over the year. Targets for the individual element will be tailored to each executive.	140% of salary
LTIP	New appointees will be granted awards under the LTIP on the same terms as other executives, as described in the policy table. The normal aggregate limit of 200% of salary will apply, save in exceptional circumstances where up to 300% of salary may be awarded.	300% of salary

In determining appropriate remuneration, the Remuneration Committee will take into consideration all relevant factors (including quantum, nature of remuneration and the jurisdiction from which the candidate was recruited) to ensure that arrangements are in the best interests of both Unite and its shareholders. The Committee may make an award in respect of a new appointment to 'buy out' incentive arrangements forfeited on leaving a previous employer on a like-for-like basis, which may be awarded in addition to the remuneration structure outlined in the table above. In doing so, the Committee will consider relevant factors including time to vesting, any performance conditions attached to these awards and the likelihood of those conditions being met. Any such 'buy-out' awards will typically be made under the existing annual bonus and LTIP schemes, although in exceptional circumstances the Committee may exercise the discretion available under Listing Rule 9.4.2 R to make awards using a different structure. Any 'buy-out' awards would have a fair value no higher than the awards forfeited.

Changes to 2016 policy: Reduction in maximum annual bonus for new Executive Director hires, in line with the change for existing Directors. Update to approach on pensions for new appointees to be in line with contributions across the broader workforce.

Internal promotion to the Board
In cases of appointing a new Executive Director by way of internal promotion, the Remuneration Committee and Board will be consistent with the policy for external appointees detailed above. Where an individual has contractual commitments made prior to their promotion to Executive Director level, the Company will continue to honour these arrangements. The Remuneration Policy for other employees is set out on page 82. Incentive opportunities for below Board employees are typically no higher than Executive Directors, but measures may vary to provide better line-of-sight.

Non-Executive Directors
In recruiting a new Non-Executive Director the Remuneration Committee will utilise the policy as set out in the table on page 83. A base fee in line with the prevailing fee schedule would be payable for Board membership, with additional fees payable for acting as Senior Independent Director and/or as Chair of the Board's Committees.

Service contracts and treatment for leavers and change of control

Executive	Date of service contract
J J Lister	1 June 2016
R S Smith	1 June 2016

Executive Director service contracts including arrangements for early termination, are carefully considered by the Committee. In accordance with general market practice, each of the Executive Directors has a rolling service contract requiring 12 months' notice of termination on either side. Such contracts contain no specific provision for compensation for loss of office, other than an obligation to pay for any notice period waived by the Company where pay is defined as salary, benefits and any other statutory payments only. Where a payment is made in equal monthly instalments, the Committee will expect the Director to mitigate his/her losses by undertaking to seek and take up, as soon as reasonably practicable, any suitable/similar opportunity to earn alternative income over the period in which the instalments are to be made. The instalment payments will be reduced (including to zero) by the amount of such income that the employee earns and/or is entitled to earn over the applicable period. Executive Director service contracts are available to view at the Company's registered office.

The Remuneration Committee will exercise discretion in making appropriate payments in the context of outplacement, settling legal claims or potential legal claims by a departing Executive Director, including any other amounts reasonably due to the Executive Director, for example, to meet the legal fees incurred by them in connection with the termination of employment where the Company wishes to enter into a settlement agreement and the individual must seek independent legal advice.

When considering exit payments, the Committee reviews all potential incentive outcomes to ensure they are fair to both shareholders and participants. The table below summarises how the awards under the annual bonus and LTIP are typically treated in specific circumstances, with the final treatment remaining subject to the Committee's discretion:

	Calculation of vesting/payment
Annual bonus Cash element	In the event of retirement, ill health, death, disability, redundancy or any other circumstance at the discretion of the Remuneration Committee, or in the event of a change of control, Executive Directors may receive a bonus payment for the year in which they cease employment. This payment will normally be pro-rated for time and will only be paid to the extent that financial and individual objectives set at the beginning of the plan year have been met. Otherwise, Executive Directors must be employed at the date of payment to receive a bonus.
Deferred element	Deferred bonus shares will normally be retained and will be released in full following completion of the applicable two- or three-year deferral period.
LTIP Leavers before the end of the performance period	In the event of retirement, ill health, death, disability, redundancy or any other circumstance at the discretion of the Remuneration Committee, or in the event of a change of control, the Committee determines whether and to what extent outstanding awards vest based on the extent to which performance conditions have been achieved and the proportion of the vesting period worked. This determination will be made as soon as reasonably practical following the end of the performance period or such earlier date as the Committee may agree (within 12 months in the event of death). In the event of a change of control, awards may alternatively be exchanged for new equivalent awards in the acquirer where appropriate. If participants leave for any other reason before the end of the performance period, their award will normally lapse.
Leavers after the end of the performance period	Any awards in a holding period will normally vest following completion of the holding period.

Changes to 2016 policy: Clarification of typical treatment of deferred bonus shares and LTIP awards in a holding period.

External appointments
With the approval of the Board in each case, and subject to the overriding requirements of the Group, Executive Directors may accept external appointments as Non-Executive Directors of other companies and retain any fees received. Joe Lister was appointed as a Non-Executive Director on the board of Helical Plc effective 1 September 2018 and received a fee of £15,000 in respect of this service for 2018.

Consideration of conditions elsewhere in the Company
When making decisions on Executive Director remuneration, the Committee considers pay and conditions across Unite. Prior to the annual salary review, the Group People Director provides the Committee with a summary of the proposed level of increase for overall employee pay. Currently, the Remuneration Committee does not formally consult with employees on the executive remuneration policy and framework.

Consideration of shareholder views
During 2018, the Remuneration Committee consulted with investors representing around two thirds of Unite's issued share capital and with proxy advisors (Glass Lewis, the Investment Association and ISS) to seek their views on the proposed changes to the Remuneration Policy as well as remuneration at Unite more broadly. The Committee is grateful for investors taking the time to participate in the consultation and we welcome the positive and constructive feedback received. The Committee used the direct feedback, along with updates to investor body principles published around the time of the review to refine and further develop the final proposals. We are confident that these proposals reflect the developments in best practice while also supporting Unite in attracting, retaining and motivating the Executive Directors and other senior employees. The Committee will continue to monitor trends and developments in corporate governance and market practice to ensure the structure of the executive remuneration remains appropriate.

ANNUAL REPORT ON REMUNERATION

The following section provides details of how Unite's remuneration policy was implemented during the financial year ended 31 December 2018 and how it will be implemented in 2019.

Remuneration Committee membership in 2018

The primary role of the Committee is to:

- Review, recommend and monitor the level and structure of remuneration for the Executive Directors and other senior executives
- Approve the remuneration packages for the Executive Directors and ensure that pay outcomes reflect the performance of the Company
- Determine the balance between base pay and performance-related elements of the package so as to align Directors' interests to those of shareholders.

The Committee's terms of reference are set out on the Company's website. As of 31 December 2018, the Remuneration Committee comprised six independent Non Executive Directors

- Elizabeth McMeikan (Committee Chair)
- Phil White
- Sir Tim Wilson
- Andrew Jones
- Ross Paterson
- Richard Akers (from 1 September 2018)

Certain executives including Richard Smith (Chief Executive) and Ruth George (Group People Director) have been, from time to time, invited to attend meetings of the Committee, and the Company Secretary Christopher Szpojnarowicz, acts as secretary to the Committee. No individuals are involved in decisions relating to their own remuneration. The Remuneration Committee met four times during the year and details of members' attendance at meetings are provided in the Corporate Governance section on page 64

Key activities of the Remuneration Committee in 2018 included:

- Reviewed and approved the Executive Directors' performance against annual objectives and LTIP targets; determined bonuses payable (including balance between cash and shares), and approved LTIP vesting.
- Determined leaver treatment for Richard Simpson, including treatment of outstanding incentives;
- Considered remuneration market trends and corporate governance developments
- Reviewed the Remuneration Policy and conducted shareholder consultations on the proposed changes to the policy;
- Reviewed and approved salary increases for the Executive Directors and senior management for 2019,
- Determined the Executive Directors' bonus and LTIP performance targets for 2019 in line with the strategic plan.
- Reviewed and approved the Chairman's fee
- Prepared the Directors' Remuneration Report.

Advisors

Mercer | Kepler ('Kepler') was appointed as the Committee's independent advisor following a competitive tender process in 2014 and was retained during the year. The Committee undertakes due diligence periodically to ensure that Kepler remains independent and that the advice provided is impartial and objective. Kepler is a founding member and signatory of the Code of Conduct for Remuneration Consultants, details of which can be found at www.remunerationconsultantsgroup.com. In 2018 Kepler provided independent advice including support on the review of the Remuneration Policy, updates on the external remuneration environment and performance testing for long term incentive plans. Kepler reports directly to the Chair of the Remuneration Committee and does not advise the Company on any other issues. Their total fees for the provision of remuneration services to the Committee in 2018 were £67,900 on the basis of time and materials.

Summary of shareholder voting at AGMs

The following table shows the results of the advisory vote on the 2017 Annual Report on Remuneration at the 2018 Annual General Meeting as well as the results of the binding vote on the 2015 Directors' Remuneration Policy, which was last approved by shareholders at the 2016 Annual General Meeting

	2017 Annual Report on Remuneration		2015 Directors' Remuneration Policy	
For (including discretionary)	216,758,054	97.34%	186,101,530	98.9%
Against	5,916,825	2.66%	2,088,144	1.1%
Total votes cast (excluding withheld votes)	222,674,879		188,189,674	
Votes withheld	1,042,518		300,425	
Total votes cast (including withheld votes)	223,717,397		188,490,099	

Single total figure of remuneration for Executive Directors (audited)

The table below sets out a single figure for the total remuneration received for 2017 and 2018 by each Executive Director who served in the year ended 31 December 2018[1]

	Richard Smith		Joe Lister		Richard Simpson	
	2018 **£**	2017 £	**2018** **£**	2017 £	**2018** **£**	2017 £
Salary	**445,910**	437,167	**362,950**	355,833	**127,966**	330,417
Taxable benefits[2]	**15,920**	16,089	**16,424**	16,255	**6,165**	16,065
Pension benefit[3]	**72,081**	84,506	**64,523**	63,156	**23,173**	58,645
Annual Bonus[4]	**478,822**	401,407	**389,739**	326,726	**–**	303,389
LTIP[5]	**982,975**	516,471	**800,235**	572,376	**–**	344,319
Other[6]	**–**	–	**2,250**	2,249	**–**	4,500
Total	**1,995,708**	**1,455,639**	**1,636,121**	**1,336,596**	**157,305**	**1,057,334**

1. **Richard Simpson stepped down** effective 18 May 2018 and **ceased being** a Director of the Company from the same date. He remained with the Group on garden leave until 31 December 2018 **to ensure a smooth handover.** Amounts above relate to **remuneration received** as a result of his role as Group Property Director, with details of his remuneration for the period 19 May to 31 December 2018 disclosed under Exit payments section on page [illegible].
2. **Taxable** benefits for 2018 consist primarily of company car or car allowance and private health care insurance. The figures above include a benefit of £[illegible] for Messrs Smith and Lister and £[illegible] **for Mr** Simpson.
3. Pension figures include contributions to the Unite Group Personal Pension Scheme and cash allowances where applicable.
4. **Payment for performance during the year.** Having already reached their share ownership guidelines, each Executive Director will receive 100% of their 2018 bonus award in cash. Richard Simpson **was not eligible for an annual bonus award** in 2018.
5. 2017 figures: The 2015 **awards are valued based** on **the market price** on the date of vesting **(2 April** 2018) of 791.5p. These amounts have been revised from last year's report to reflect the actual share price on the date **of vesting. For Richard Simpson, the one-third** of this award which **had been deferred** has now lapsed due to his stepping down. The figures in the table above have been restated to reflect this.

   2018 figures: For the 2016 awards, the market price on the date of vesting is currently unknown and so the value shown is estimated using the average market value over the last quarter of 2018 at 844.5p. See following sections for further details. The value of the vested 2016 awards reflects the impact of a 31.6% increase in the vesting share price compared to the share price at grant. Overall, the impact of the share price increase on the awards represents 27.8% of the LTIP value, equivalent to £224,256 for Richard Smith and £182,789 for Joe Lister. For both 2017 and 2018, LTIP figures include cash payments in lieu of dividends for vested awards. Awards in the form of HMRC-approved options are valued based on the embedded gain at vesting (i.e. subtracting the applicable exercise price).
6. Other includes the embedded value of SAYE options at grant.

Single total figure of remuneration for Non-Executive Directors (audited)

The table below sets out a single figure for the total remuneration received for 2017 and 2018 by each Non-executive Director who served in the year ended 31 December 2018.

	Base fee		Committee Chair/SID fees		Taxable benefits[5]		Total	
	2018 **£**	2017 £	**2018** **£**	2017 £	**2018** **£**	2017 £	**2018** **£**	2017 £
P M White	**188,700**	185,000	**–**	–	**1,443**	624	**190,143**	185,624
R J T Wilson	**46,820**	45,900	**6,900**	6,750	**1,229**	624	**54,949**	53,274
A Jones	**46,820**	45,900		–	**1,429**	624	**48,249**	46,524
E McMeikan	**46,820**	45,900	**14,801**	9,550	**1,514**	685	**63,135**	56,135
R Paterson[2]	**46,820**	12,711	**8,938**	–	**492**	–	**56,250**	12,711
R Akers[3]	**15,607**	–	**–**	–	**609**	–	**16,216**	–
I Beato[4]	**3,902**	–	**–**	–	**357**	–	**4,259**	–

1. Elizabeth McMeikan was appointed Senior Independent Director effective 1 February 2018.
2. Ross Paterson joined the Board on 21 September 2017. He was appointed Chairman of the Audit Committee effective 1 February 2018.
3. Richard Akers joined the Board on 1 September 2018.
4. Ilaria del Beato joined the Board on 1 December 2018.
5. Taxable benefits for 2018 consist of taxable travel.

Incentive outcomes for the year ended 31 December 2018 (audited)

Performance Related Annual Bonus in respect of 2018 performance

The 2018 annual bonus consists of two elements, corporate and individual. The corporate element of the bonus is calculated on a sliding scale up to a maximum of 120% of base salary, in accordance with which 'on target' performance by the Group results in a corporate bonus of an amount equivalent to 70% of base salary. To determine the actual bonus payment to an Executive Director, a multiplier (being the 'individual' element of the scheme), ranging between zero and 1.2 is applied against the corporate bonus.

Applying the maximum individual multiplier (of 1.2), against the maximum corporate bonus (of 120% of base salary), results in a maximum annual performance-related bonus opportunity of 144% of base salary. However, bonus payments at that level would only be made subject to the achievement of extremely stretching corporate performance targets and exceptional individual performance by the relevant Director. Target performance typically requires meaningful improvement on the previous year's outturn, and for financial measures, targets are typically in line with the upper end of market consensus

ANNUAL REPORT ON REMUNERATION CONTINUED

The performance-related bonuses awarded in respect of 2018 reflect corporate bonuses of 97.3% of base salary. After applying individual multipliers, actual performance-related bonus payments awarded to the Executive Directors were 107.0% of their respective base salaries (74.3% of their maximum bonus opportunities). Further details including the targets set and performance against each of the metrics are provided in the tables below:

Corporate element outcomes

			Original performance targets					
			Threshold	**Target**		Stretch		Vest
	Measure	Weight	50% of salary	70% of salary	100% of salary	120% of salary	Actual	(% salary)
Financial	Adjusted EPS	25.0%	33.1p	34.5p	36.6p	37.9p	34.1p	16.17%
	TAR per share	25.0%	62p	69p	77p	83p	93p	30.0%
	Net debt to EBITDA ratio	25.0%	7.1x	6.8x	6.4x	6.1x	6.1x	30.0%
Non-financial	Customer satisfaction	12.5%	81	82	83	84	83	12.5%
	University reputation	2.5%	80	81	82	83	81	8.8%
Total corporate vesting (percentage of salary)								97.3%

Individual multiplier outcomes

Individual and shared objectives

Focus area	Specific objectives	Assessment of performance
Business	Successful delivery of Group KPIs	The Committee reflected on Unite's strong 2018 performance and concluded that the Company continued to make excellent progress during the year, delivering across all key metrics. In addition to those KPIs explicitly captured and rewarded under the corporate element of the annual bonus, the Committee noted in particular: – a 28% increase in full-year dividend to 29.0p; – the Group's strong financial position and disciplined approach to leverage management, evidenced by a small improvement in LTV to 29%; – the significant progress made with University partnerships and a further portfolio rebalance towards mid- to high-ranked Universities; and a strong employee effectiveness score of 75%.
	Prioritisation of fire safety requirements	The Committee was guided by input from the Health & Safety Committee in assessing performance in this area during the year. In particular, the Committee noted the successful completion of remedial work arising from the 2017 fire safety review, the leadership in designing a specific fire safety audit with the British Safety Council (BSC) and the Group's improved 4 star BSC rating.
	Continued development, implementation and communication of financial strategy	The Committee reflected on the successful Capital Markets Day held in October and positive feedback received from shareholders through the Investor Relations team. The Committee strongly believes that Executive Directors continue to operate in a transparent and effective manner, communicating a clear strategy for the Group which is well understood by our key stakeholders.
Team	Retention and development of high performers	The Committee considers that progress has been made in these areas during the year and the Group continues to focus on developing its talent pipeline and future leaders. The Committee was pleased to see the addition of notable talent at senior middle management level during the year which it considers bodes well for future senior bench strength, and it was noted that the Company was able to quickly adapt to Richard Simpson's departure through the promotion of Nick Hayes to the **position** of Group Property Director.
	Cultural shift and improvement in organisational effectiveness	Gender equality is a key focus of Unite's strategy and the Committee was encouraged by the progress made in this area during the year. Our 2018 Gender Pay Report figures reflected the positive changes promoted by Executive Directors during the year, with the median gender pay gap of 9.8% showing an improvement of 2.6% on 2017.
Personal	Overall, the Committee considers that Richard has continued to perform at a very high level during the year. As Chief Executive, Richard has led the successful development, communication and implementation of the Group Strategy, providing clear and valued leadership at all times. His engagement with our investors to ensure the strategy is understood and valued has translated into strong financial and share price performance over 2018, and the Group remains well-placed to carry this success into future years.	
	Like Richard, the Committee believes that Joe has continued to perform at a very high level during the year. Joe played a significant role in the development and communication of the Group Strategy, has shown strong leadership in his expanded remit over **Property**, and has played a critical role in developing and strengthening the Group's University relationships.	

While the Committee is pleased with the significant achievements made during the year, we recognise the need for continued good work across areas such as succession planning and organisational effectiveness in order to ensure we are well positioned for future growth. Overall the Committee believes that the achievements during the year summarised above support an 'above target' rating for both Richard and Joe, resulting in individual multipliers of 1.1x (cf. a maximum of 1.2x).

Overall bonus outcomes

Executive	Corporate vesting	Personal multiplier	Overall bonus outcome (percentage of salary)	Overall bonus outcome (percentage of maximum)	Overall bonus outcome £
R S Smith	97.3%	1.1x	**107.0%**	**74.3%**	**£478,822**
J J Lister		1.1x	**107.0%**	**74.3%**	**£389,739**

Reflecting the continued strong performance as shown by the financial measure outcomes as well as the strong relationships built with Universities and the reputation with customers, the Committee is satisfied that the overall bonus outcomes of 107% of salary (cf. a maximum of 144% of salary) in respect of 2018 are appropriate. The outcome reflects the achievements during the year and the significant contributions made by both Directors while acknowledging that there are still areas which require further work as we enter 2019.

Having already reached their respective share ownership guidelines, each Executive Director will receive 100% of their bonus awards in cash. Richard Simpson was not eligible for an annual bonus for the 2018 financial year.

2016 LTIP vesting (vested on performance to 31 December 2018)

Awards in 2016 were made under the LTIP, consisting of the Unite Group Performance Share Plan and the Unite Group Approved Employee Share Option Scheme. Vesting of the awards was dependent on three equally-weighted measures over a three-year performance period: TAR per share, EPS and TSR outperformance of the FTSE 350 Real Estate Supersector Index. There was no retest provision. Further details, including vesting schedules and performance against each of the metrics, are provided in the table below.

Measure	Weighting	Targets	Outcome	Vest %
2018 Adjusted EPS	1/3	0% vesting below 30 pence 25% vesting for 30 pence 100% vesting for 38 pence or more Straight-line vesting between these points	34.1 pence	63.4%
TAR per share (2016–2018)	1/3	0% vesting below 29.5% (9% p.a.) 25% vesting for 29.5% (9% p.a.) 100% vesting for 52.1% (15% p.a.) or more Straight-line vesting between these points	46.8% (13.6% p.a.)	82.3%
TSR outperformance of the FTSE 350 Real Estate Supersector Index	1/3	0% vesting if Group underperforms the index 25% vesting for matching the index 100% vesting for outperforming index by 9% p.a. Straight-line vesting between these points	Index +15.3% p.a. (42.2% return)	100.0%
Total LTIP vesting (sum product of weighting and vest %)				81.9%

The performance period for the each of the elements ended on 31 December 2018. The awards will vest on the third anniversary of the date of grant and will be subject to an additional two-year holding period.

Executive Director	Interests held[1]	Vesting %	Interests vesting	Date vesting	Assumed market price	Estimated value[2]	of which value due to share price growth
R S Smith	134,882	81.9%	**110,454**	23 June 2019	844.5p	£982,975	£224,256 (22.8% of total)
J J Lister	109,941		90,030			£800,235	£182,789 (22.8% of total)

1 Includes interests held in the 965 HMRC approved options under the ESOS.

2 The estimated value of the HMRC approved options is based on [illegible] value [illegible] dividends on vested shares.

ANNUAL REPORT ON REMUNERATION CONTINUED

In line with regulations, the value disclosed above and in the single total figure of remuneration table on page 87 captures the full number of interests vesting (i.e. excluding the two-year holding period). As the market price on the date of vesting is unknown at the time of reporting, the value is estimated using the average market value over the last quarter of 2018 of 844.5p. The actual value at vesting will be trued-up in the 2019 Annual Report on Remuneration. The estimated values include the impact of a 31.6% increase in the assumed market price compared to the share price at grant (64[illegible].5p). Executives also become entitled to cash in lieu of the dividends payable on vested LTIP shares over the three-year performance period. These payments are included in the row entitled 'LTIP' in the single total figure of remuneration table on page 87 and amounted to £55,064 and £44,811 for Messrs Smith and Lister respectively. Richard Simpson's 2016 LTIP award lapsed upon his resignation from the Group.

Percentage change in CEO remuneration

The table below shows the percentage change in CEO remuneration from the prior year compared to the average percentage change in remuneration for all employees.

The CEO's remuneration includes base salary, taxable benefit and annual bonus. The pay for all other employees is calculated using the increase in the earnings of full-time employees for tax years 2017 and 2018. The analysis excludes part time employees and is based on a consistent set of employees, i.e. the same individuals appear in the 2017 and 2018 populations.

	CEO			All employees
	2018 £	2017 £	% change 2017/18	% change 2017/18
Base salary	**445,910**	437,167	2.0%	2.0%
Taxable benefits	**15,920**	16,089	[illegible]	6.4%
Annual bonus	**478,822**	401,407	19.3%	27.1%

Relative importance of spend on pay

The table below shows shareholder distributions (i.e. dividends and share buybacks) and total employee pay expenditure for the financial years ended 31 December 2017 and 31 December 2018, along with the percentage change in both.

	2018 £m	2017 £m	% change 2017/18
Total employee pay expenditure	**44.1**	40.8	8.0%
Distributions to shareholders	**63.5**	45.3	40.2%

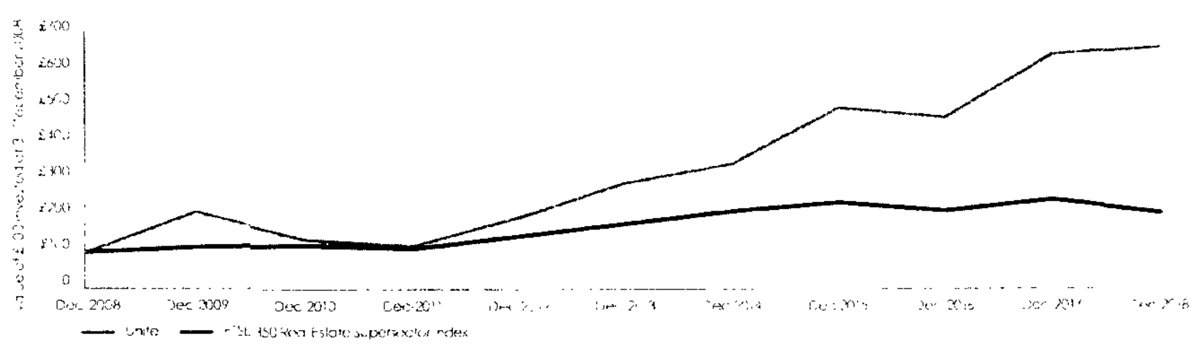
The Directors are proposing a final dividend in respect of the financial year ended 31 December 2018 of 19.5 pence per ordinary share. Employee remuneration excludes social security costs.

Review of past performance

The following graph charts the TSR of the Company and the FTSE 350 Real Estate Supersector Index over the ten year period from 1 January 2009 to 31 December 2018. While there is no comparator index or group of companies that truly reflects the activities of the Group, the FTSE 350 Real Estate Supersector Index (the constituent members of which are all property holding and/or development companies or real estate investment trusts within the UK), was chosen as it reflects trends within the UK property market generally and tends to be the index against which analysts judge the performance of the Company. The table below details the Chief Executive's 'single figure' remuneration over the same period.

Historical TSR performance

Growth in the value of a hypothetical £100 holding over the 10 years to 31 December 2018



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	M C Allan	M C Allan	M C Allan	M C Allan	M C Allan	M C Allan	M C Allan	M C Allan R S Smith	R S Smith	R S Smith
CEO single figure of remuneration	£665,313	£687,175	£1,475,577	£993,754	£1,943,734	£2,987,402	£2,381,885	£222,860 £ 238,560	£1,455,639	£1,995,708
STI award rates against maximum opportunity	42.0%	43.4%	75.8%	63.4%	84.0%	89.4%	88.2%	n/a 43.4%	63.6%	74.3%
LTI award rates against maximum opportunity	0.0%	0.0%	82.4%	26.3%	83.1%	95.2%	100.0%	n/a 100.0%	96.[illegible]%	81.9%

Scheme interests awarded in 2018 (audited)

LTIP

In April 2018, Executive Directors were granted awards under the LTIP with a maximum face value of c.200% of their respective salaries. The three-year performance period over which performance will be measured began on 1 January 2018 and will end on 31 December 2020. Any awards vesting for performance will be subject to an additional two-year holding period.

Executive Director	Date of grant	Shares over which awards granted[1]	Market price at date of award	Face value
R S Smith		110,997		£900,186
J J Lister	10 April 2018	90,471	811.0p	£733,720
R C Simpson[2]		84,057		£681,702

1. Combination of HMRC-approved options under the USOS (739), and nil cost options under the FSP calculated using a share price of 811.0p, being the closing mid-market price on the day the awards were calculated.
2. Richard Simpson's award lapsed upon his resignation from the Group.

Vesting of 2018 awards is dependent on three equally-weighted measures over a three-year performance period: Total Accounting Return per share, Earnings per share and TSR outperformance of the FTSE 350 Real Estate 'Super Sector' index. There is no retest provision. The Committee considers that the targets applying under each of the performance measures are no less stretching than in previous years. Details of the vesting schedules are provided below:

Measure	Weighting	Targets
2020 Adjusted EPS	1/3	0% vesting below 40 pence 25% vesting for 40 pence 100% vesting for 46 pence or more Straight-line vesting between these points
TAR per share p.a. (2018–2020)	1/3	0% vesting below 7% p.a. 25% vesting for 7% p.a. 100% vesting for 13% p.a. or more Straight-line vesting between these points
TSR outperformance of the FTSE350 Real Estate Supersector Index (2018–2020)	1/3	0% vesting if Group underperforms the index 25% vesting for matching the index 100% vesting for outperforming index by 9% p.a. Straight line vesting between these points

SAYE

During 2018 Joe Lister entered into a new savings contract under the SAYE plan. Details of all outstanding awards under this plan are included in the table on page 95.

Exit payments made in the year (audited)

After 13 years with Unite, Richard Simpson stepped down from his role as Group Property Director on 18 May 2018. The terms of Richard Simpson's exit were set out in an agreement at the time he gave notice to the Company. In formalising this agreement, the Committee sought to ensure that the outcomes were fair to shareholders, to the Company and to Richard Simpson.

Payments to Mr Simpson were made in line with our leaver policy. For the period 19 May 2018 to 31 December 2018 Richard Simpson continued to receive base pay (£209,059), pension (£36,741) and other contractual benefits (£10,055) totalling £255,855. He was not eligible to participate in the 2018 annual bonus and there was no payment in lieu of notice.

For the purposes of outstanding long-term incentives Richard Simpson was not considered a 'good leaver' and accordingly all outstanding awards lapsed on 18 May 2018. This included the final one-third of the 2015 LTIP which was due to be released in 2019 but which has now lapsed in line with the rules of the award at the time.

Payments to past Directors (audited)

There have been no payments (2017: £nil) in excess of the de minimis threshold to former Directors during the year ended 31 December 2018 in respect of their former roles as Directors. The Company has set a de minimis threshold of £5,000 under which it would not report such payments.

ANNUAL REPORT ON REMUNERATION CONTINUED

Implementation of Executive Director remuneration policy for 2019

Base salary

The Committee has approved the following salary increases with effect from 1 March 2019:

Executive Director	Base salary from 1 March 2018	Base salary from 1 March 2019	Percentage increase
R S Smith	£447,370	£458,556	2.5%
J J Lister	£364,140	£373,244	2.5%

Proposed salary increases are consistent with the average increase applied across the Group (c.2.5%). Consistent with the approach to be taken across the Group, next year's salary reviews will take effect from 1 January 2020.

Pension

Executive Directors will receive a pension contribution of up to 20% of salary or an equivalent cash allowance. From 1 March 2019 employer pension contributions for the current executives will be capped at £91,710 per annum for Richard Smith and £74,650 per annum for Joe Lister.

Performance Related Annual Bonus

	Corporate measure	Weighting
Financial (70%)	Adjusted EPS	25.0%
	TAR per share	25.0%
	Net debt to EBITDA ratio	20.0%
Non-financial (30%)	Customer satisfaction	10.0%
	University reputation	10.0%
	Personal/team objectives	10.0%

As detailed in the Annual Statement, there will be a number of changes to the Performance Related Annual Bonus for 2019 aimed at simplifying this element of remuneration.

For 2019, the maximum bonus opportunity for each executive will be 140% of salary, with threshold and target performance paying 30% and 50% of maximum respectively under each performance measure.

The financial element of the bonus will continue to be based on a combination of EPS, TAR and net debt to EBITDA ratio with a total weighting of 70% of total bonus. The non-financial measures will be split equally between customer satisfaction, University reputation and personal/team objectives. All measures will work on an additive basis in 2019 with no multiplier. Proposed target levels have been set to be challenging relative to business plan although specific targets are deemed to be commercially sensitive at this time. It is the Committee's current intention to disclose these targets and the key achievements by each Executive Director retrospectively in the 2019 Directors' Remuneration Report.

If a participant has met their shareholding guidelines at the time the 2019 bonus is due to be paid, any amounts due in excess of 100% of salary will be deferred in Unite shares for a period of two years, with the remainder paid in cash. If a participant has not met their shareholding guidelines, up to 50% of the amount payable will continue to be satisfied by an allocation of shares in the Company deferred for three years. Clawback and malus provisions apply to all awards.

LTIP

For 2019, the LTIP will continue to operate broadly on the same basis as in the 2018 financial year, with a couple of changes detailed in the Annual Statement, namely relative TSR targets will be based on a simple ranking approach (cf. outperformance targets used in prior years); and TAR per share will be measured relative to the FTSE 350 Real Estate Supersector index using a simple ranking approach.

The Committee, having considered the performance of the Company and other relevant factors, intends that Executive Directors will each receive an award equivalent to a maximum of 200% of salary delivered through a combination of the PSP and ESOS, with the final level of vesting dependent on the achievement of three year performance targets relating to EPS, TAR and TSR, as follows

Measure	Weighting	Targets
2021 Adjusted EPS	1/3	0% vesting below 44.2 pence 25% vesting for 44.2 pence 100% vesting for 51.9 pence or more Straight-line vesting between these points
TAR per share ranking vs. the FTSE 350 Real Estate Supersector Index (2019–2021)	1/3	0% vesting for performance below median 25% vesting for performance in line with median 100% vesting for performance at upper quartile or above Straight-line vesting between these points
TSR ranking vs. the FTSE 350 Real Estate Supersector Index (2019–2021)	1/3	0% vesting for performance below median 25% vesting for performance in line with median 100% vesting for performance at upper quartile or above Straight-line vesting between these points

EPS targets have been set with reference to internal and external reference points including our strategic plan and broker consensus estimates, and are designed to be stretching but achievable for participants. TSR and TAR targets are based on Unite's relative performance, with threshold and maximum vesting requiring performance in line with the median and upper quartile ranked constituent respectively, in line with market best practice. Full vesting under each element will require continued exceptional performance over the next three years. Any awards vesting for performance will be subject to an additional two-year holding period, during which time clawback provisions will also apply. Further details of the grant date and number of interests awarded will be disclosed in the 2019 Annual Report on Remuneration.

Implementation of Non-Executive Director Remuneration Policy for 2019

Chairman and Non-Executive Director fees

During the final quarter of 2018, the Board undertook its annual review of Non-Executive Director fees. Following consideration of salary increases across the Group and indicative fee increases at sector and FTSE comparators, the Board determined that the basic fee should be increased by c.2.5% from £46,820 p.a. to £48,000 p.a. and that additional fees should be increased by a similar rate. The Committee in considering similar factors, determined that the fee payable to the Chairman of the Board should be increased by a similar rate from £188,700 to £193,420. Each of these fee increases is in line with increases applied to the broader employee population.

A summary of the fee increases, which are effective 1 January 2019, is set out in the table below.

Position	2018 fees	2019 fees
Base fees		
Chairman	£188,700	£193,420
Non-Executive Director	£46,820	£48,000
Additional fees		
Senior Independent Director	£5,510	£5,650
Audit Committee Chair	£9,750	£10,000
Remuneration Committee Chair	£9,750	£10,000
Nomination Committee Chair	n/a	n/a
Health and Safety Committee Chair	£6,900	£7,075

1 As Chairman of the Board, Mr White does not receive any additional fee in respect of chairing this Committee.

ANNUAL REPORT ON REMUNERATION CONTINUED

Directors' interests (audited)

	Ordinary shares of 25p each at 31 December 2018	Ordinary shares of 25p each at 31 December 2017
R S Smith	254,564	233,730
J J Lister	446,931	466,588
P M White	13,566	10,952
R J T Wilson	6,275	6,275
A Jones	20,229	15,000
E McMeikan	6,440	5,000
R Paterson	7,163	5,856
R Akers	0	n/a
I Beato	0	n/a

A table setting out the beneficial interests of the Directors and their families in the share capital of the Company as at 31 December 2018 is set out in the table above.

None of the Directors has a beneficial interest in the shares of any other Group company. Since 31 December 2018 there have been no changes in the Directors' interests in shares.

Details of Directors' share options are set out in the tables below.

Share price information

As at 31 December 2018 the middle market price for ordinary shares in the Company was 806.0p per share. During the course of the year, the market price of the Company's shares ranged from 751.0p to 913.0p per ordinary share.

Executive Directors' shareholding requirements (audited)

The table below shows the shareholding of each Executive Director against their respective shareholding requirement as at 31 December 2018:

	Interests					
	Owned outright	Subject to deferral/holding period	Unvested and/or subject to performance conditions	Shareholding requirement percentage of salary/fee	Current shareholding percentage of salary/fee[2]	Requirement met[3]
R S Smith	254,564	20,889	383,333	250%	479%	Yes
J J Lister	446,931[1]	23,105	312,445	200%	1,016%	Yes
P M White	13,566				58%	
R J T Wilson	6,275				108%	
A Jones	20,229				348%	
E McMeikan	6,440				[illegible]1%	
R Paterson	7,163				123%	
R Akers	0				0%	
I Beato	0				0%	

1. Includes shares subject to a holding period under the LTIP and deferred bonus shares where applicable.
2. Based on share price as at 31 December 2018 of 806p. Shares subject to a holding period are taken on a net of tax basis for the purposes of the current shareholding [illegible].
3. At the date that he stepped down from the Board, Richard Simpson had exceeded the applicable shareholding guideline of 100% of salary.

Graph deleted

Directors' interests in shares and options under Unite incentives (audited)

Deferred bonus

Executive	Interests held at 01.01.18	Granted during the year	Market price per share at grant	Interests vested during the year	Interests lapsed during the year	Interests held at 31.12.18	Deferral period
R S Smith	29,161	–	533.5p	29,161	–	–	24.02.15 – 23.02.18
	29,161	**–**	**–**	**29,161**	**–**	**–**	**–**

LTIP awards

Executive	Interests held at 01.01.18	Interests awarded during the year (ordinary shares of 25p each in the Company)	Market price per share when awarded/ESOS exercise price	Interests vested during the year	Interests lapsed during the year	Outstanding at 31.12.18 ordinary shares of 25p each in the Company	Period of qualifying conditions
J J Lister	72,094	–	583.5p	69,314	2,780	–	02.04.15 – 02.04.18
	109,941	–	641.5p	–	–	109,941	23.06.16 – 23.06.19
	112,033	–	642.0p	–	–	112,033	10.04.17 – 10.04.20
	–	90,471	811.0p	–	–	90,471	10.04.18 – 10.04.21
	294,068	**90,471**	**–**	**69,314**	**2,780**	**312,445**	**–**
R S Smith	65,179	–	583.5p	62,665	2,514	–	02.04.15 – 02.04.18
	134,882	–	641.5p	–	–	134,882	23.06.16 – 23.06.19
	137,454	–	642.0p	–	–	137,454	10.04.17 – 10.04.20
	–	110,997	811.0p	–	–	110,997	10.04.18 – 10.04.21
	337,515	**110,997**	**–**	**62,665**	**2,514**	**383,333**	**–**

One third of awards vested in [illegible] are subject to an additional [illegible] year holding period [illegible] 889 shares in respect of [illegible] respectively.

SAYE

Executive	Options held at 01.01.18	Granted during the year	Exercised during the year	Option price per share	Options held at 31.12.18	Maturity date
J J Lister	7,299	–	7,299	205.5p	–	01.12.17
	1,705	–	–	527.6p	1,705	01.12.18
	1,617	–	–	556.4p	1,617	01.12.20
		1,266		710.8p	1,266	01.12.21
R S Smith	3,411	–	–	527.6p	3,411	01.12.18

The highest, lowest and closing share prices for 2018 are shown on page 94.

Details of the qualifying performance conditions in relation to the above referred-to awards made in prior years are set out in earlier reports.

Awards made in prior years took the form of a combination of nil cost options under the PSP and HMRC approved options under the ESOS. No variations have been made to the terms or conditions of any awards.

The fair value in respect of Directors' share options and LTIP awards recognised in the Income Statement is as follows:

Executive	2018 £	2017 £
J J Lister	308,850	257,993
R S Smith	363,098	272,809

The Directors' Remuneration Report has been approved by the Remuneration Committee and signed on its behalf by:

Elizabeth McMeikan
Chair, Remuneration Committee
27 February 2019

DIRECTORS' REPORT

As at 27 February 2019, the Company had received notifications from the following companies and institutions of the voting interests of themselves and their clients in 3% or more of the issued ordinary share capital of the Company.

Shareholder	Percentage of share capital
APG Asset Management NV	8.45
BlackRock Inc	8.11
Standard Life Aberdeen	4.22
The Vanguard Group Inc	4.15

Share capital

At the date of this report, there are 263,536,692 ordinary shares of 25p each in issue, all of which are fully paid-up and quoted on the London Stock Exchange.

During the year and through to the date of this report, 125,009 ordinary shares of 25p each were allotted and issued pursuant to the exercise of options under The Unite Group plc Savings-Related Share Option Scheme, 23,731 ordinary shares of 25p each were allotted and issued pursuant to the exercise of options under the Approved Scheme and 22,206,872 ordinary shares of 25p each were allotted and issued following an equity placing.

The rights attaching to the Company's ordinary shares, as well as the powers of the Company's Directors, are set out in the Company's articles of association.

There are no restrictions on the transfer of securities or voting rights of ordinary shares in the capital of the Company (other than those which may be imposed by law from time to time or as set out in the Company's articles of association).

In accordance with the Market Abuse Regulations, certain employees are required to seek approval to deal in the Company's shares.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfers of securities and/or voting rights. No person holds securities in the Company carrying special rights with regard to control of the Company. Unless expressly specified to the contrary, the Company's articles of association may be amended by special resolution of the shareholders.

Change of control

All of the Company's share schemes contain provisions relating to a change of control. Outstanding rewards and options would normally vest and become exercisable on a change of control subject to the satisfaction of any performance conditions. Other than certain of the Group's banking facilities, there are no other significant agreements to which the Company is a party that affect, alter or terminate upon a change of control of the Company following a takeover bid. Nor are there any agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

The Directors have no authority to buy-back the Company's shares.

Details of proposals to be put to the Annual General Meeting in relation to the power of Directors to issue shares in the Company are set out under the heading 'Annual General Meeting'.

Going Concern and viability statement

The going concern statement and viability statement are set out on pages 67 and 27 respectively and are incorporated into this Directors' Report by reference.

Disclosure of information to auditors

The Directors who held office at the date of approval of the Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all the steps that s/he ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Directors' conflicts of interest

The Company has procedures in place for managing conflicts of interest. A Director must notify the Chairman (and the Chairman notifies the Chief Executive) if he/she becomes aware that he/she, or any of his/her connected parties may have an interest in an existing or proposed transaction with the Company or the Group. Directors have a continuing duty to update any changes to these conflicts.

Political donations

No political donations were made during the year ending 2018.

Disclosures required under Listing Rule 9.8.4R

For the purposes of LR 9.8.4C, the information required to be disclosed by LR 9.8.4R can be found in the following locations within the Annual Report.

Information required under LR 9.8.4R	Reference
(1) Amount of interest capitalised and tax relief	Note 3.1, page 129
(2) Publication of unaudited financial information	n/a
(4) Details of long term incentive schemes	Pages 74 to 95
(5) Waiver of emoluments by a Director	n/a
(6) Waiver of future emoluments by a Director	n/a
(7) Non pre-emptive issues of equity for cash	Pages 41 and 148
(8) Item (7) in relation to major subsidiary undertakings	n/a
(9) Parent participation in a placing by a listed subsidiary	n/a
(10) Contracts of significance	n/a
(11) Provision of services by a controlling shareholder	n/a
(12) Shareholder waiver of dividends	n/a
(13) Shareholder waiver of future dividends	n/a
(14) Agreements with controlling shareholders	n/a

All the information referenced above is incorporated by reference into the Directors' report.

Other information incorporated by reference

The following information in the Strategic Report is incorporated into this Directors' Report by reference:

- Results and Dividend page 01
- Greenhouse Gas Emissions page 47
- Financial instruments and financial risk management page 31 and Section 4
- Future developments pages 18, 19 and 39
- Employment of disabled persons/Employee involvement pages 45 and 46

The Corporate Governance Statement on pages 52 to 95 and the Statement of Directors' responsibilities on page 99 are incorporated into this Directors' report by reference.

Management Report

This Directors' Report together with the Strategic report and other sections from the Annual Report forms the Management report for the purposes of DTR 4.1.8 R.

Annual General Meeting

The Annual General Meeting (AGM) of the Company will be held at the Company's registered office at South Quay, Temple Back, Bristol, BS1 6FL at 9.30am on 9 May 2019. Formal notice (the Notice) of the Meeting is given on pages 156 to 159.

Resolution 2: Directors' Remuneration Policy

In addition to the ordinary business of the meeting, Resolution 2 will be proposed as an ordinary resolution to approve a new Directors' Remuneration Policy as set out on pages 79 to 85. The current remuneration policy was approved in the May 2016 AGM and therefore the remuneration policy is due for approval in the May 2019 AGM in line with the three-year cycle. The rationale for the proposed changes are explained in the annual statement of the Chair of the Remuneration Committee on pages 74 to 78. The Remuneration Committee has during 2018, consulted with investors representing around two-thirds of Unite's issued share capital and with proxy advisors (Glass Lewis, the Investment Association and ISS) to seek their views on these proposed changes to the Company's remuneration policy. The proposed changes are aimed at simplifying our pay arrangements, ensuring variable incentives continue to target the right measures to deliver our longer-term strategy, improving alignment with employees across the organisation and to be consistent with the revised UK Corporate Governance Code 2018.

Resolution 15: Authority to allot shares

Resolution 15 will be proposed as an ordinary resolution to grant the Directors authority to allot shares in the Company, and grant rights to subscribe for, or to convert, any security into shares of the Company, up to the aggregate amount stated in the Notice (which represents one-third of the nominal value of the issued share capital of the Company as at the date of the Notice). In accordance with guidelines issued by the Investment Association, this resolution also grants the Directors authority to allot further equity securities up to the aggregate amount stated in the Notice (which represents one-third of the nominal value of the issued share capital of the Company as at the date of the Notice). This additional authority may only be applied to fully pre-emptive rights issues.

Resolutions 16 and 17: Disapplication of pre-emption rights resolutions

If the Directors wish to allot new shares and other equity securities for cash (other than in connection with an employee share scheme) company law requires that these shares are offered first to the shareholders, in proportion to their existing holdings. The Directors consider it desirable to have the maximum flexibility permitted by corporate governance guidelines to respond to market developments and to enable allotments to take place to finance business opportunities without making a pre-emptive offer to existing shareholders. This cannot be done under the Companies Act 2006 unless the shareholders have first waived their pre-emption rights. The purpose of Resolutions 16 and 17 (together the 'disapplication of pre-emption rights resolutions') is to enable shareholders to so waive their pre-emption rights.

Resolution 16 authorises the Directors to allot new shares pursuant to the authority given by Resolution 15 (the allotment resolution) for cash:

(a) in connection with a rights issue or pre-emptive issue; and/or

(b) otherwise up to the aggregate amount stated in the Notice (which represents 5% of the nominal value of the issued share capital of the Company as at the date of the Notice),

in each case without the shares first being offered to existing shareholders in proportion to their existing holdings.

Resolution 17 additionally authorises the Directors to allot new shares for cash without the shares first being offered to existing shareholders in proportion to their existing holdings, in connection with the financing (or refinancing, if the authority is to be used within six months of the original transaction) of an acquisition or specified capital investment which is announced contemporaneously with the allotment or which has taken place in the preceding six month period and is disclosed in the announcement of the allotment.

DIRECTORS' REPORT CONTINUED

The authority under Resolution 17 is limited to the aggregate amount stated in the Notice (which represents 5% of the nominal value of the issued share capital of the Company as at the date of the Notice).

Taken together, this disapplication of pre-emption rights resolutions will allow the Directors to issue new shares for cash without offering the shares first to existing shareholders in proportion to their existing holdings under the following circumstances:

- in connection with a rights issue or other pre-emptive issue, with a nominal value equivalent to two-thirds of the issued share capital as at the date of the Notice (which will allow the Directors to make exclusions or such other arrangements as may be appropriate to resolve legal or practical problems which, for example, might arise with overseas shareholders);
- for any other purpose, with a nominal value equivalent to 5% of the issued share capital as at the date of the Notice; and
- in connection with the financing or refinancing of an acquisition or specified capital investment which is announced contemporaneously with the allotment or which has taken place in the preceding six-month period and is disclosed in the announcement of the allotment, with a nominal value equivalent to 5% of the issued share capital as at the date of the Notice, but subject to an overall aggregate limit equivalent to two-thirds of the issued share capital as at the date of the Notice.

The Directors intend to adhere to the provisions in the Pre-Emption Group's Statement of Principles, as updated in March 2015, and not to allot shares for cash on a non-pre-emptive basis pursuant to the authority in Resolution 16 either in excess of an amount equal to 5% of the total issued ordinary share capital of the Company or in excess of an amount equal to 7.5% of the total issued ordinary share capital of the Company within a rolling three-year period, without prior consultation with shareholders. Adherence to the principles would not preclude issuances under the authority sought under Resolution 17.

The allotment and the disapplication of pre-emption rights resolutions comply with the Share Capital Management Guidelines issued by the Investment Association in July 2016 and the disapplication of pre-emption rights resolutions follow the resolution templates issued by the Pre-Emption Group in May 2016.

If the resolutions are passed, the authorities will expire at the end of the next Annual General Meeting of the Company or, if earlier, 8 August 2020, this being the date 15 months from the passing of the resolutions, whichever is the earlier.

Resolution 18: Notice of General Meetings

The Companies (Shareholders' Rights) Regulations 2009 ('the Shareholders' Rights Regulations'), increased the notice period for General Meetings of the Company to 21 days unless shareholders approve a shorter notice period, which cannot be less than 14 days. At the Annual General Meeting of the Company held in 2018, shareholders authorised the calling of General Meetings, other than an Annual General Meeting, on not less than 14 days' notice. Resolution 18 seeks the approval of shareholders to renew the authority to be able to call General Meetings (other than an Annual General Meeting) on 14 days' notice. The flexibility offered by Resolution 18 will be used where, taking into account the circumstances, the Directors consider it appropriate in relation to the business of the Meeting and in the interests of the Company and shareholders as a whole.

The Company undertakes to meet the requirements for electronic voting under the Shareholders' Rights Regulations before calling a General Meeting on 14 days' notice. If given, the approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed.

Update on 2018 AGM resolutions with votes against

At the Company's Annual General Meeting on 10 May 2018 all resolutions were duly passed but there were votes against the share issuance resolutions (Resolution 15 (Issue shares pre-emptively), Resolution 16 (Dis-apply Pre-emption Rights) and Resolution 17 (Dis apply Pre emption Rights acquisition/specified capital investment)).

The Company has proactively engaged with shareholders and proxy advisors since the 2018 AGM. Overall, the engagement was positive and supportive. In summary, the votes against these resolutions were primarily due to the *perceived cumulative impact of share issuances* over the past few years. While shareholders were overwhelmingly supportive of the individual share issuances, the Company acknowledges the feedback and will continue to engage with shareholders and consider shareholder and proxy voting guidelines.

This report was approved by the Board on 27 February and signed on its behalf by

Christopher Szpojnarowicz
Company Secretary
27 February 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and Accounts and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period.

In preparing each of the Group and parent company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether they have been prepared in accordance with IFRSs as adopted by the EU
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' report, Directors' Remuneration report and Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, the names of whom are set out on pages 56 and 57, confirms that to the best of his or her knowledge:

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

R S Smith
Director
27 February 2019

J J Lister
Director

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE UNITE GROUP PLC ONLY

Report on the audit of the financial statements

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 2018 and of the Group's profit for the year then ended;**
- **the Group's financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;**
- **the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and**
- **the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group's financial statements, Article 4 of the IAS Regulation.**

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 and parent company statements of cash flow; and
- the related sections 1 to 7.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided 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.

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; — Accounting for Joint Ventures; and — Real Estate Investment Trust ('REIT') compliance. Within this report, any new key audit matters are identified with ↑ and any key audit matters which are the same as the prior year identified with →.
Materiality	The materiality that we used for the Group financial statements was £21.0m which was determined on the basis of net assets. However, we use a lower threshold of £4.4m for balances which impact European Public Real Estate Association ('EPRA') earnings.
Scoping	Consistent with our approach in the prior year, our Group audit scope comprises the audit of The Unite Group plc as well as the Group's Joint Ventures, The Unite UK Student Accommodation Fund ('USAF') and The London Student Accommodation Venture ('LSAV'). All audit work was completed by the Group audit team.
Significant changes in our approach	There have been no significant changes in our audit approach in the current year.

Conclusions relating to going concern, principal risks and viability statement

Going concern

We have reviewed the directors' statement in note 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

We considered as part of our risk assessment the nature of the Group, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

Principal risks and viability statement

Based solely on reading the directors' statements or a considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the Group's and the company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

- the disclosures on pages 28 to 31 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 99 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 27 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

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.

Investment property and development property valuation →

Key audit matter description	The Group's principal assets are investment properties (2018: £1,497.1m, 2017: £1,261.4m) and investment properties under development (2018: £278.9; 2017: £205.7m). 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 independent external valuers. Valuations are carried out at six-monthly intervals for the Group in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation – Professional Standards ('the Red Book'), taking into account transactional evidence during the year. Management conduct a detailed exercise twice annually to assess the valuation of the Group's property portfolio. The valuation is underpinned by a number of judgements and assumptions as it requires the estimation of property yields, rental growth, occupancy and property management costs. A small change in these assumptions could have a significant impact on the valuation of 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 properties, small changes could also have a significant impact on a key input to the calculation of a performance fee which could be recognised for the year ended 31 December 2018 if the hurdle rate is achieved as this is based on the net asset value of the fund. With regards to the investment properties under development, additional judgement is required to forecast discounted cash flows with a deduction for construction costs to complete. Refer to page 69 (Audit Committee Statement) and section 3.1, Wholly owned property assets and section 3.4 Investments in joint ventures.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE UNITE GROUP PLC ONLY CONTINUED

How the scope of our audit responded to the key audit matter

We performed testing on the property valuations and critically assessed the judgements and estimates that had been made. This work included:

— Understanding and documenting the underlying business process and then evaluating the design, determining implementation and testing operating effectiveness of the relevant controls;

— Understanding and challenging the assumptions used in relation to key drivers such as rental income and growth, occupancy, yields and costs with reference to the trends at the end of the year and the following year's budget. Our assessment as to the appropriateness of the assumptions included consideration of the impact of the United Kingdom leaving the European Union;

Meeting with the Group's valuers to understand the assumptions being taken and consistency of the judgements with prior year;

— Working with our valuation experts within our Deloitte Real Estate team to benchmark the assumptions used against market data; and

— Assessing the Group's development appraisal process through meeting with the development team and assessing the forecast cost to complete against budget and substantive testing of costs incurred to date.

Key observations

We are satisfied with the approach and methodology adopted in valuing the property portfolio and consider the *valuations to be suitable for inclusion in the financial statements at 31 December 2018.*

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 (2018: £819.7; 2017: £793.5m), on the basis that Unite does not control the entities. At 31 December 2018 Unite had a 25.3% (2017: 24.6%) ownership of USAF and 50.0% (2017: 50.0%) 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 regards to USAF given that it is a multi investor fund and the Unite ownership stake is subject to change. In accordance with the requirements of IFRS, 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 have assessed (in line with the prior year) that Unite 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 70 (Audit Committee Statement) and section 3.4, Investments in joint ventures.

How the scope of our audit responded to the key audit matter

Our audit procedures on this area 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 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, we have:

— Understood and documented the underlying business process and evaluated the design, determined implementation and tested operating effectiveness of the relevant controls;

— Critically assessed the key activities and how they impact the returns to the Group from the funds and challenged Management's own consideration of these factors in their application of IFRS;

— Assessed the Group's monitoring of its role and the three key factors relating to control and its exercise in accordance with the judgement required under IFRS; and

— Reviewed any changes to the fund agreements in the year.

Given the particular focus on USAF we have:

— Assessed the role of the USAF Advisory Committee and concluded that Unite does not have sole power to direct the activities that are likely to most significantly affect the returns of USAF in the future, and therefore Unite does not have control of USAF; and

— Critically evaluated the impact of the percentage ownership on a regular basis.

Key observations	There have been no changes to the structure and the role played by Unite as investor and asset / development manager or to the fund agreements in the year We consider Management's conclusion that Unite does not have control of the Joint Ventures to be consistent with our conclusion. Therefore, treatment as joint ventures is considered to be appropriate.

REIT compliance ↑

Key audit matter description	On 1 January 2017 the Group converted to a Real Estate Investment Trust (REIT), with HMRC confirming that the election to REIT status has been validly made. The primary tax consequences of conversion and ongoing maintenance of REIT status are that future UK property business profits and gains on investment properties are not subject to UK corporation tax. *Most notably, this means that the Group no longer recognises deferred tax in relation to the valuation gains on the investment property portfolio.* In order to maintain REIT status the Group must comply with certain tests and other conditions to ensure its continuation under the regime. Due to the material impact on the Group's financial results of remaining in compliance with the REIT regime requirements, we consider REIT compliance to be a key audit matter. Refer to page 70 (Audit Committee Statement) and section 2.5 Tax.
How the scope of our audit responded to the key audit matter	Our audit procedures included: — understanding and documenting the underlying business process and then evaluating the design, determining implementation and testing operating effectiveness of the relevant controls — Utilising tax audit specialists, including REIT specialists, to assess whether the key judgements relating to REIT compliance are understood. — Considering the clarity and presentation of the Group's disclosures of its tax balances and effective tax rate reconciliation; and — Testing the Group's current and forecast compliance with the REIT regime rules. Our assessment as to the appropriateness of the Group's forecasts included consideration of the impact of the United Kingdom leaving the European Union.
Key observations	We are satisfied with Management's calculations and compliance with the REIT regime.

Our application of 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	Net Assets: £21.0m (2017: £17.5m) EPRA Impacting Measures: £4.4m (2017: £3.5m)	£20.0m (2017: £16.5m)
Basis for determining materiality	1% of Net Assets (2017: 1% of Net Assets) 5% of EPRA Earnings (2017: 5% of EPRA Earnings)	1% of Net Assets (2017: 1% of Net Assets)
Rationale for the benchmark applied	We determined materiality for the Group based on 1% of net assets as the balance sheet is considered to be a key driver of a property group. In addition to net assets, we consider the EPRA earnings measure to be a critical financial performance measure for the Group and we have applied a lower threshold based on 5% of EPRA earnings for testing of revenue, cost of sales, operating expenses, loan interest and similar charges, finance income, share of joint venture profit and taxation.	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.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £220,900 (2017: £176,250) for the Group and the Parent Company, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE UNITE GROUP PLC ONLY CONTINUED

An overview of the scope of our audit

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. The audit is performed centrally at the 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 as well as the two joint ventures USAF and LSAV.

Consistent with the prior year, we audit 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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

We have nothing to report in respect of these matters.

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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- **Fair, balanced and understandable** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code** – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

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.

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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.

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.

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

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

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, our procedures included the following:

— enquiring of Management, Internal Audit, the Group's in-house legal counsel and the Audit Committee, including obtaining and reviewing supporting documentation, concerning the Group's 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 related to fraud or non-compliance with laws and regulations;

— discussing among the engagement team and involving relevant internal specialists, including tax, valuations and IT specialists regarding how and where material fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following areas: investment property and development property valuation owing to the risk of management override of controls relating to the valuation process; and revenue recognition owing to the risk of management override of controls relating to the revenue IT system; and

— obtaining an understanding of the legal and regulatory framework that the Group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Group. The key laws and regulations we considered in this context included: the UK Companies Act 2016; Listing Rules; and tax legislation.

Audit response to risks identified

As a result of performing the above, we identified investment property and development property valuation as a key audit matter. 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. As a result of performing the above, we did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations.

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 relevant laws and regulations discussed above;

— enquiring of Management, the Audit Committee and both 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;

— in addressing the identified revenue fraud risk; testing the revenue IT system controls utilising our IT specialists; and vouching a sample of rental income to tenancy agreement acceptance and cash receipt;

— 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

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE UNITE GROUP PLC ONLY CONTINUED

Matters on which we are required to report by exception

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.

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.

Other matters

Auditor tenure

Following the recommendation of the Audit 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 4 years, covering the years ending 31 December 2015 to 31 December 2018.

Consistency of the audit report with the additional report to the audit committee

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

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.

Judith Tacon (Senior statutory auditor)
for and on behalf of Deloitte LLP

Statutory Auditor
London, United Kingdom
27 February 2019

INTRODUCTION AND TABLE OF CONTENTS

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

We have grouped the notes to the financial statements under six main headings:

- **Results for the year, including segmental information, EPRA earnings and EPRA NAV**
- **Asset management**
- **Funding**
- **Working capital**
- **Key management and employee benefits**
- **Company subsidiaries and joint ventures.**

Each section sets out the relevant accounting policies applied in these financial statements together with the key judgements and estimates used.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

	Note	2018 £m	2017 £m
Rental income	2.4	**112.7**	99.7
Other income		**15.6**	19.6
Total revenue	2.4	**128.3**	119.3
Cost of sales		**(40.2)**	(41.1)
Operating expenses		**(23.6)**	(26.9)
Results from operating activities		**64.5**	51.3
(Loss)/profit on disposal of property		**(6.8)**	0.6
Net valuation gains on property	3.1	**105.8**	103.1
Profit before net financing costs		**163.5**	155.0
Loan interest and similar charges	4.3	**(14.3)**	(17.3)
Swap cancellation and loan break costs	4.3	**(0.1)**	(11.5)
Finance costs	4.3	**(14.4)**	(28.8)
Finance income	4.3	**0.9**	0.1
Net financing costs	4.3	**(13.5)**	(28.7)
Share of joint venture profit	3.4b	**95.8**	103.1
Profit before tax		**245.8**	229.4
Current tax	2.5	**(4.1)**	(1.7)
Deferred tax	2.5	**(4.4)**	(3.9)
Profit for the year		**237.3**	223.8
Profit for the year attributable to			
Owners of the parent company	2.2c	**235.7**	221.6
Minority interest		**1.6**	2.2
		237.3	223.8
Earnings per share			
Basic	2.2c	**90.8p**	95.3p
Diluted	2.2c	**90.6p**	93.6p

All results are derived from continuing activities

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	2018 £m	2017 £m
Profit for the year		**237.3**	223.8
Movements in effective hedges	4.2	**0.6**	10.8
Share of joint venture movements in effective hedges	3.4b	**1.2**	2.1
Other comprehensive income for the year		**1.8**	12.9
Total comprehensive income for the year		**239.1**	236.7
Attributable to			
Owners of the parent company		**237.5**	234.5
Minority interest		**1.6**	2.2
		239.1	236.7

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

CONSOLIDATED BALANCE SHEET
At 31 December 2018

	Note	2018 £m	2017 £m
Assets			
Investment property	3.1	**1,497.1**	1,261.4
Investment property under development	3.1	**278.9**	205.7
Investment in joint ventures	3.4b	**819.7**	793.5
Other non-current assets	3.3	**33.0**	32.4
Total non-current assets		**2,628.7**	2,293.0
Inventories	3.2	**9.1**	4.5
Trade and other receivables	5.2	**88.1**	82.9
Cash and cash equivalents	5.1	**123.6**	51.2
Total current assets		**220.8**	138.6
Total assets		**2,849.5**	2,431.6
Liabilities			
Borrowings	4.1	**(1.3)**	(1.3)
Trade and other payables	5.4	**(141.5)**	(152.1)
Current tax liability		**(4.6)**	(4.1)
Total current liabilities		**(147.4)**	(157.5)
Borrowings	4.1	**(591.3)**	(511.5)
Interest rate swaps	4.2	**(0.1)**	(0.8)
Deferred tax liability	2.5d	**(11.9)**	(7.6)
Total non-current liabilities		**(603.3)**	(519.9)
Total liabilities		**(750.7)**	(677.4)
Net assets		**2,098.8**	1,754.2
Equity			
Issued share capital	4.8	**65.9**	60.2
Share premium	4.8	**740.5**	579.5
Merger reserve		**40.2**	40.2
Retained earnings		**1,224.4**	1,051.2
Hedging reserve		**2.0**	(2.1)
Equity attributable to the owners of the parent company		**2,073.0**	1,729.0
Minority interest		**25.8**	25.2
Total equity		**2,098.8**	1,754.2

The financial statements of The Unite Group plc, registered number 03199160, were approved and authorised for issue by the Board of Directors on 27 February 2019 and were signed on its behalf by:

R S Smith
Director

J J Lister
Director

Financial statements

COMPANY BALANCE SHEET

At 31 December 2018

	Note	2018 £m	2017 £m
Assets			
Investments in subsidiaries	3.5	**1,189.4**	926.6
Total investments		**1,189.4**	926.6
Loan to Group undertaking	3.5	**90.0**	90.0
Total non-current assets		**1,279.4**	1,016.6
Amounts due from Group undertakings	5.2	**1,095.7**	912.1
Cash and cash equivalents	5.1	**–**	–
Total current assets		**1,095.7**	912.1
Total assets		**2,375.1**	1,928.7
Current liabilities			
Borrowings	4.1	**(0.5)**	(2.9)
Amounts due to Group undertakings	5.4	**(2.6)**	(2.5)
Other payables	5.4	**(5.3)**	(3.2)
Total current liabilities		**(8.4)**	(8.6)
Borrowings	4.1	**(355.6)**	(267.6)
Total non-current liabilities		**(355.6)**	(267.6)
Total liabilities		**(364.0)**	(276.2)
Net assets		**2,011.1**	1,652.5
Equity			
Issued share capital	4.8	**65.9**	60.2
Share premium	4.8	**740.5**	579.5
Merger reserve		**40.2**	40.2
Hedging reserve		**2.2**	–
Retained earnings		**1,162.3**	972.6
Total equity		**2,011.1**	1,652.5

Total equity is wholly attributable to equity holders of The Unite Group plc. Profit of The Unite Group plc in 2018: £252.1 million (2017: £197.9 million).

The financial statements of The Unite Group plc, registered number 03199160, were approved and authorised for issue by the Board of Directors on 27 February 2019 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 2018

	Note	Issued share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Hedging reserve £m	Equity portion of convertible instrument £m	Attributable to owners of the parent £m	Minority interest £m	Total £m
At 1 January 2018		**60.2**	**579.5**	**40.2**	**1,051.2**	**(2.1)**	**–**	**1,729.0**	**25.2**	**1,754.2**
Profit for the year		–	–	–	235.7	–	–	235.7	1.6	237.3
Other comprehensive income for the year		–	–	–	–	1.8	–	1.8	–	1.8
Total comprehensive income for the year		–	–	–	235.7	1.8	–	237.5	1.6	239.1
Shares issued	4.8	5.7	161.0	–	–	–	–	166.7	–	166.7
Deferred tax on share-based payments		–	–	–	0.3	–	–	0.3	–	0.3
Fair value of share-based payments		–	–	–	1.1	–	–	1.1	–	1.1
Own shares acquired		–	–	–	(1.4)	–	–	(1.4)	–	(1.4)
Realised swap gain		–	–	–	–	2.3	–	2.3	–	2.3
Dividends paid to owners of the parent company	4.9	–	–	–	(62.5)	–	–	(62.5)	–	(62.5)
Dividends to minority interest		–	–	–	–	–	–	–	(1.0)	(1.0)
At 31 December 2018		**65.9**	**740.5**	**40.2**	**1,224.4**	**2.0**	**–**	**2,073.0**	**25.8**	**2,098.8**

	Note	Issued share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Hedging reserve £m	Equity portion of convertible instrument £m	Attributable to owners of the parent £m	Minority interest £m	Total £m
At 1 January 2017		**55.5**	**493.6**	**40.2**	**867.9**	**(15.0)**	**9.4**	**1,451.6**	**23.9**	**1,475.5**
Profit for the year		–	–	–	221.6	–	–	221.6	2.2	223.8
Other comprehensive income for the year		–	–	–	–	12.9	–	12.9	–	12.9
Total comprehensive income for the year		–	–	–	221.6	12.9	–	234.5	2.2	236.7
Shares issued	4.8	4.7	83.0	–	–	–	–	87.7	–	87.7
Deferred tax on share-based payments		–	–	–	0.7	–	–	0.7	–	0.7
Fair value of share-based payments		–	–	–	1.5	–	–	1.5	–	1.5
Redemption of convertible bond		–	2.9	–	5.8	–	(9.4)	(0.7)	–	(0.7)
Own shares acquired		–	–	–	(1.9)	–	–	(1.9)	–	(1.9)
Dividends paid to owners of the parent company	4.9	–	–	–	(44.4)	–		(44.4)	–	(44.4)
Dividends to minority interest		–	–	–	–	–	–	–	(0.9)	(0.9)
At 31 December 2017		**60.2**	**579.5**	**40.2**	**1,051.2**	**(2.1)**	**–**	**1,729.0**	**25.2**	**1,754.2**

The notes on pages 114 to 155 form part of the financial statements.

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2018

	Note	Issued share capital £m	Share premium £m	Merger reserve £m	Hedging reserve £m	Retained earnings £m	Total £m
At 1 January 2018		**60.2**	**579.5**	**40.2**	**–**	**972.6**	**1,652.5**
Profit for the year & other comprehensive income		–	–	–	–	**252.2**	**252.2**
Shares issued	4.8	**5.7**	**161.0**	–	–	–	**166.7**
Realised swap gain		–	–	–	**2.2**	–	**2.2**
Dividends to shareholders	4.9	–	–	–	–	**(62.5)**	**(62.5)**
At 31 December 2018		**65.9**	**740.5**	**40.2**	**2.2**	**1,162.3**	**2,011.1**

	Note	Issued share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Equity portion of intercompany loan £m	Total £m
At 1 January 2017		**55.5**	**493.6**	**40.2**	**813.3**	**9.4**	**1,412.0**
Profit for the year & other comprehensive income		–			197.9	–	197.9
Shares issued	4.8	4.7	83.0	–	–	–	87.7
Redemption of convertible bond		–	2.9	–	5.8	(9.4)	(0.7)
Dividends to shareholders	4.9	–	–	–	(44.4)	–	(44.4)
At 31 December 2017		**60.2**	**579.5**	**40.2**	**972.6**	**–**	**1,652.5**

The notes on pages 114 to 155 form part of the financial statements.

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2018

		Group		Company	
	Note	2018 £m	2017 £m	2018 £m	2017 £m
Cash flows from operating activities	5.1	**63.5**	**58.4**	**(0.5)**	**(0.3)**
Cash flows from taxation		**(3.8)**	(2.1)	–	–
Investing activities					
Proceeds from sale of investment property		**38.0**	30.8	–	–
Payments to/on behalf of subsidiaries		–	–	**(186.3)**	(172.5)
Payments from subsidiaries		–	–	**5.7**	39.0
Dividends received		**37.5**	31.6	–	–
Interest received		**0.9**	0.1	–	–
Redemption of units / (investment in joint ventures)		**30.9**	(27.0)	–	–
Acquisition of intangible assets		**(6.6)**	(5.7)	–	–
Acquisition of property		**(247.9)**	(116.4)	–	–
Acquisition of plant and equipment		**(1.3)**	(4.4)	–	–
Cash flows from investing activities		**(148.5)**	**(91.0)**	**(180.6)**	**(133.5)**
Financing activities					
Interest paid in respect of financing activities		**(21.1)**	(23.2)	**(9.5)**	(5.8)
Swap cancellation (costs)/gains		**(0.1)**	(9.5)	**2.2**	–
Proceeds from the issue of share capital		**166.7**	0.6	**166.7**	0.6
Payments to acquire own shares		**(1.4)**	(1.9)	–	
Proceeds from non-current borrowings		**375.8**	254.0	**269.4**	178.5
Repayment of borrowings		**(295.4)**	(133.6)	**(183.0)**	–
Dividends paid to the owners of the parent company		**(62.3)**	(42.3)	**(62.3)**	(42.3)
Dividends paid to minority interest		**(1.0)**	(0.9)	–	–
Cash flows from financing activities		**161.2**	**43.2**	**183.5**	**131.0**
Net increase/(decrease) in cash and cash equivalents		**72.4**	8.5	**2.4**	(2.8)
Cash and cash equivalents at start of year		**51.2**	42.7	**(2.9)**	(0.1)
Cash and cash equivalents at end of year	5.1	**123.6**	**51.2**	**(0.5)**	**(2.9)**

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Corporate governance p52–99
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Other information p156–160

NOTES TO THE FINANCIAL STATEMENTS

Section 1: Basis of preparation

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

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

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

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

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

Going concern

The Group's business activities, together with the factors likely to affect its future development and position are set out in the Strategic report on pages 1 to 51. In addition, section 4 of these Notes to the financial statements includes the Group's objectives, policies and processes for managing its capital, details of its borrowings and interest rate swaps, and in note 5.3 its exposure to credit risk. The Board has considered the risks that could arise as a result of potential outcomes of Brexit and have identified people risk, procurement risks and demand risks. These risks have been factored into our forecasts and projections.

The Group has prepared cash flow projections 18 months forward to June 2020 and the Group has sufficient headroom to meet all its commitments. The Group issued £275 million of unsecured investment grade 10-year bonds in October 2018 and this together with existing facilities will be sufficient to fund the Group's commitments over the next 18 months. The Group maintains positive relationships with its lending banks and has historically secured new facilities before maturity dates and remained within its covenant levels. The Group is in full compliance with its covenants at 31 December 2018 and expects to remain so. Our debt facilities include loan-to-value, interest cover and asset class ratios, all of which have a high level of headroom. In order to manage future financial commitments, the Group operates a formal approval process, through its Major Investment Approvals committee, to ensure appropriate review is undertaken before any transactions are agreed.

The Directors consider that the Group has adequate capital resources to continue in operational existence for the foreseeable future.

Measurement convention

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

Basis of consolidation

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 fixed assets.

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

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

Section 1: Basis of preparation continued

IFRS 16 Leases – effective for periods beginning on or after 1 January 2019

General impact of application of IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the Group will be 1 January 2019. On transition, the Group has chosen to adopt the cumulative catch up approach.

In preparation for the first-time adoption of IFRS 16 the Group has carried out an implementation project. IFRS 16 will have a material impact on the sale and leaseback portfolio which is comprised of 3,150 beds across 10 properties. These properties were sold by the Group between 2004 and 2009 to institutional investors and simultaneously leased back by the Group. We do not expect IFRS 16 to have a material impact on other leases (rental of office space, vehicles, equipment).

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements from IAS 17.

Impact of the new definition of a lease

IFRS 16 sets out a new definition of a lease, however our assessment has shown that this does not impact the Group.

Impact on Lessee Accounting

Operating leases

IFRS 16 will change how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet.

On initial application of IFRS 16, for all sale and leaseback leases the Group will:

- Recognise sale and leaseback right-of-use assets in the consolidated balance sheet, initially measured at fair value using a discounted cash flow model;
- Recognise lease liabilities in the consolidated balance sheet, initially measured at the present value of the future minimum lease payments;
- Reclassify leasehold improvements which were previously treated as items of PPE (and depreciated on a straight line basis) to sale and leaseback right of use assets.

Subsequent treatment will be as follows:

- Hold the sale and leaseback right of use asset as investment property at fair value and revalue at the end of each financial reporting period, with any change in value going to the consolidated income statement as revaluation gain/loss on investment property (IFRS only);
- The lease liability will be unwound each year, with the discount unwind going through the consolidated income statement (IFRS & EPRA);
- Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

On initial application of IFRS 16, for all other leases, the Group will:

- Recognise right-of-use assets in the consolidated balance sheet, initially measured at the present value of the future minimum lease payments;
- Recognise lease liabilities in the consolidated balance sheet initially measured at the present value of the future minimum lease payments.

Subsequent treatment will be as follows:

- Recognise depreciation of right-of-use assets in the consolidated income statement (IFRS & EPRA);
- The lease liability will be unwound each year, with the discount unwind going through the consolidated income statement (IFRS & EPRA);
- Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

For short term leases (lease term of 12 months or less) and leases of low-value assets, the Group will opt to recognise a lease expense on a straight line basis as permitted by IFRS 16.

Section 1: Basis of preparation continued

As at 31 December 2018, the Group has non-cancellable operating lease commitments of £2[illegible]5m, being the sum of undiscounted future minimum lease payments. Our assessment indicates that on transition on 1 January 2019, the Group will recognise a right of use asset of £130 - £135 million and a lease liability of £120 - £125 million.

Impact on Lessor Accounting
IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

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

— IFRS 17 'Insurance Contracts'
— IFRS 9 (amendments) 'Prepayment Features with Negative Compensation'
— IAS 28 (amendments) 'Long-term Interests in Associates and Joint Ventures'
— IFRS Standards (annual improvements)
— IAS 19 (amendments) 'Plan Amendment, Curtailment or Settlement'
— IFRS 10 and IAS 28 (amendments) 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'

Accounting estimates and judgements

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.

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 a higher degree of judgement or complexity are set out below and are explained in more detail in the related notes to the financial statements.

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).

The accounting policy descriptions set out the areas where judgement needs exercising, the most significant of which is as follows:

— classification of joint venture vehicles (note 3.4).

Section 2: Results for the year

This section focuses on the results and performance of the Group and provides a reconciliation between the primary statements and EPRA performance measures. On the following pages you will find disclosures explaining the Group's results for the year, segmental information, taxation, earnings and net asset value per share. The Group uses EPRA earnings and NAV movement as key comparable indicators across other real estate companies in Europe.

Performance measures

	Note	2018	2017
Earnings basic	2.2b	**£235.7m**	£22[illegible].6m
Earnings diluted	2.2c	**£235.7m**	£223.0m
Basic earnings per share (pence)	2.2c	**90.8p**	95.3p
Diluted earnings per share (pence)	2.2c	**90.6p**	93.6p
Net assets basic	2.3c	**£2,073.0m**	£1,729.0m
Basic NAV per share (pence)	2.3d	**787p**	7[illegible]7p

EPRA performance measures

	Note	2018	2017
EPRA earnings	2.2a	**£88.4m**	£7[illegible].5m
EPRA earnings per share (pence)	2.2c	**34.1p**	30.3p
EPRA NAV	2.3a	**£2,085.4m**	£1,74[illegible].4m
EPRA NAV per share (pence)	2.3a	**790p**	720p
EPRA NNNAV	2.3c	**£2,032.7m**	£1,673.9m
EPRA NNNAV per share (pence)	2.3d	**770p**	692p

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 2018 and 31 December 2017 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.

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

2.2 Earnings

EPRA earnings amends IFRS measures by removing principally the unrealised investment property valuation gains and losses such that users of the financials are able to see the extent to which dividend payments (dividend per share) are underpinned by earnings arising from purely operational activity. The reconciliation between Profit attributable to owners of the parent company and EPRA earnings is available in note 2.2 (a).

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 to 35. The Operations segment is the main contributor to EPRA earnings and EPRA EPS and these are therefore the key indicators which are used by the Board to monitor the Operations business.

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

Section 2: Results for the year continued

2.2 Earnings continued

a) EPRA earnings

2018

	UNITE Total £m	Share of joint ventures USAF £m	LSAV £m	Total £m	Group on EPRA basis Total £m
Rental income	112.7	39.0	36.6	75.6	188.3
Property operating expenses	(28.6)	(11.5)	(7.9)	(19.4)	(48.0)
Net operating income	**84.1**	**27.5**	**28.7**	**56.2**	**140.3**
Management fees	21.8	(3.2)	(3.0)	(6.2)	15.6
Operating expenses	(20.9)	(0.3)	(0.5)	(0.8)	(21.7)
Operating lease rentals*	(11.5)	–	–	–	(11.5)
Net financing costs	(13.4)	(6.2)	(8.9)	(15.1)	(28.5)
Operations segment result	**60.1**	**17.8**	**16.3**	**34.1**	**94.2**
Property segment result	**(1.1)**	**–**	**–**	**–**	**(1.1)**
Unallocated to segments	**(4.3)**	**(0.2)**	**(0.2)**	**(0.4)**	**(4.7)**
EPRA earnings	**54.7**	**17.6**	**16.1**	**33.7**	**88.4**

* Operating lease rentals arise from properties which the Group has sold and is now leasing back. These properties were sold to generate financing and they now contribute to the Group's rental income and incur property operating expenses. Therefore, the Group considers these lease costs to be a form of financing.

Included in the above is rental income of £18.6 million and property operating expenses of £7.0 million relating to sale and leaseback properties.

The unallocated to segments balance includes the fair value of share-based payments of (£1.1 million), UNITE Foundation of (£0.9 million), deferred tax of £1.2 million and current tax charges of (£3.9 million).

2017

	UNITE Total £m	Share of joint ventures USAF £m	LSAV £m	Total £m	Group on EPRA basis Total £m
Rental income	99.7	36.9	34.2	71.1	170.8
Property operating expenses	(28.4)	(10.2)	(5.7)	(15.9)	(44.3)
Net operating income	**71.3**	**26.7**	**28.5**	**55.2**	**126.5**
Management fees	21.0	(2.9)	(4.0)	(6.9)	14.1
Operating expenses	(23.9)	(0.3)	(0.4)	(0.7)	(24.6)
Operating lease rentals*	(12.6)	–	–	–	(12.6)
Net financing costs	(17.2)	(5.7)	(9.7)	(15.4)	(32.6)
Operations segment result	**38.6**	**17.6**	**14.4**	**32.2**	**70.8**
Property segment result	**(1.5)**	**–**	**–**	**–**	**(1.5)**
Unallocated to segments	**2.4**	**(0.8)**	**(0.4)**	**(1.2)**	**1.2**
EPRA earnings	**39.5**	**17.0**	**14.0**	**31.0**	**70.5**

* Operating lease rentals arise from properties which the Group has sold and is now leasing back. These properties were sold to generate financing and they now contribute to the Group's rental income and incur property operating expenses. Therefore, the Group considers these lease costs to be a form of financing.

Included in the above is rental income of £19.9 million and property operating expenses of £7.5 million relating to sale and leaseback properties.

The unallocated to segments balance includes the fair value of share-based payments of (£1.5 million), UNITE Foundation of (£0.7 million), fees received from USAF relating to acquisitions of £0.9 million, USAF performance fee of £3.4 million (net of adjustment related to trading with joint ventures), deferred tax of £0.6 million and current tax charges of (£1.5 million).

Section 2: Results for the year continued

2.2 Earnings continued

b) IFRS reconciliation to EPRA earnings

EPRA earnings excludes movements relating to changes in values of investment properties and interest rate swaps, profits from the disposal of properties and property impairments, which are included in the profit reported under IFRS. EPRA earnings reconcile to the profit attributable to owners of the parent company as follows.

	Note	2018 £m	2017 £m
EPRA earnings	2.2a	**88.4**	70.5
Net valuation gains on investment property	3.1	**105.8**	103.1
Property disposals		**(6.8)**	0.6
Share of joint venture gains on investment property	3.4a	**58.1**	65.0
Share of joint venture property disposals and write downs		**(3.5)**	0.5
Swap cancellation and loan break costs		**(0.1)**	(1.5)
Share of joint venture swap cancellation costs	3.4b	**–**	(0.8)
Deferred tax relating to properties	2.5c	**(5.5)**	(4.5)
Minority interest share of reconciling items*		**(0.7)**	(1.3)
Profit attributable to owners of the parent company		**235.7**	**221.6**

* The minority interest share of 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.

c) Earnings per share

The 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 and measured on a day to day basis.

The calculations of basic and EPRA EPS for the year ended 31 December 2018 and 2017 are as follows.

	Note	2018 £m	2017 £m
Earnings			
Basic		**235.7**	221.6
Diluted		**235.7**	223.0
EPRA	2.2a	**88.4**	70.5
Weighted average number of shares (thousands)			
Basic		**259,466**	232,503
Dilutive potential ordinary shares (share options)		**828**	5,627
Diluted		**260,294**	238,130

Earnings per share (pence)	
Basic	**90.8p**	95.3p
Diluted	**90.6p**	93.6p
EPRA EPS	**34.1p**	30.3p

Movements in the weighted average number of shares have resulted from the issue of shares arising from the employee share-based payment schemes and the equity raise.

In 2018, there were 10,357 options excluded from the potential dilutive shares that did not affect the diluted weighted average number of shares. In 2017, there were no options excluded from the potential dilutive shares.

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Section 2: Results for the year continued

2.3 Net assets

EPRA net asset value per share makes adjustments to IFRS measures by principally removing some items that are not expected to materialise in normal circumstances such as items of deferred tax and the fair value of financial derivatives. The reconciliation between IFRS NAV and EPRA NAV is available in note 2.3 (c).

The Group's Property business undertakes the acquisition and development of properties. The Property segment's revenue comprises revenue from development management fees earned from joint ventures. The way in which the Property segment adds value to the business is set out in the Property review on pages 36 to 40.

a) EPRA net assets

2018

	UNITE	Share of joint ventures			Group on EPRA basis
	Total £m	USAF £m	LSAV £m	Total £m	Total £m
Investment properties	1,497.1	567.1	621.7	1,188.8	2,685.9
Investment properties under development	278.9	3.2	–	3.2	282.1
Total property portfolio	**1,776.0**	**570.3**	**621.7**	**1,192.0**	**2,968.0**
Debt on properties	(594.8)	(174.6)	(267.0)	(441.6)	(1,036.4)
Cash	123.6	32.4	23.9	56.3	179.9
Net debt	**(471.2)**	**(142.2)**	**(243.1)**	**(385.3)**	**(856.5)**
Other assets and (liabilities)	(13.3)	(4.9)	(7.9)	(12.8)	(26.1)
EPRA net assets	**1,291.5**	**423.2**	**370.7**	**793.9**	**2,085.4**
Loan to value	**27%**	**25%**	**39%**	**32%**	**29%**

2017

	UNITE	Share of joint ventures			Group on EPRA basis
	Total £m	USAF £m	LSAV £m	Total £m	Total £m
Investment properties	1,261.4	538.7	579.3	1,118.0	2,379.4
Investment properties under development	205.7	10.2	–	10.2	215.9
Total property portfolio	**1,467.1**	**548.9**	**579.3**	**1,128.2**	**2,595.3**
Debt on properties	(512.9)	(169.5)	(212.3)	(381.8)	(894.7)
Cash	51.2	25.0	15.6	40.6	91.8
Net debt	**(461.7)**	**(144.5)**	**(196.7)**	**(341.2)**	**(802.9)**
Other assets and (liabilities)	(34.7)	(5.2)	(12.1)	(17.3)	(52.0)
EPRA net assets	**970.7**	**399.2**	**370.5**	**769.7**	**1,740.4**
Loan to value	**31%**	**26%**	**34%**	**30%**	**31%**

Section 2: Results for the year continued

2.3 Net assets continued

b) Movement in EPRA NAV during the year

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

2018

	UNITE Total £m	Share of joint ventures USAF £m	LSAV £m	Total £m	Group on EPRA basis Total £m
Operations					
Operations segment result	**60.1**	**17.8**	**16.3**	**34.1**	**94.2**
Property					
Rental growth	**38.8**	**6.4**	**19.8**	**26.2**	**65.0**
Yield movement	**37.4**	**7.9**	**22.3**	**30.2**	**67.6**
Disposals and acquisition gains	**(6.8)**	**(3.4)**	**0.1**	**(3.3)**	**(10.1)**
Investment property gains	**69.4**	**10.9**	**42.2**	**53.1**	**122.5**
Development property gains	**29.6**	**0.8**	**-**	**0.8**	**30.4**
Pre-contract/other development costs	**(1.1)**	**-**	**-**	**-**	**(1.1)**
Total property	**97.9**	**11.7**	**42.2**	**53.9**	**151.8**
Unallocated					
Shares issued	**166.7**	**-**	**-**	**-**	**166.7**
Investment in joint ventures	**63.4**	**(5.3)**	**(58.1)**	**(63.4)**	**-**
Dividends paid	**(62.5)**	**-**	**-**	**-**	**(62.5)**
USAF performance fee	**-**	**-**	**-**	**-**	**-**
JV property acquisition fee	**-**	**-**	**-**	**-**	**-**
Swap cancellation and debt break costs	**(0.1)**	**-**	**-**	**-**	**(0.1)**
Other	**(4.7)**	**(0.2)**	**(0.2)**	**(0.4)**	**(5.1)**
Total unallocated	**162.8**	**(5.5)**	**(58.3)**	**(63.8)**	**99.0**
Total EPRA NAV movement in the year	**320.8**	**24.0**	**0.2**	**24.2**	**345.0**
Total EPRA NAV brought forward	**970.7**	**399.2**	**370.5**	**769.7**	**1,740.4**
Total EPRA NAV carried forward	**1,291.5**	**423.2**	**370.7**	**793.9**	**2,085.4**

The £5.1 million charge that comprises the other balance within the unallocated segment includes a tax charge of £2.7 million, fair value of share options charge of £1.1 million, purchase of own shares of £0.4 million and £0.9 million for the UNITE Foundation.

Section 2: Results for the year continued

2.3 Net assets continued

b) Movement in EPRA NAV during the year continued

2017

	UNITE Group £m	Share of joint ventures			Group on EPRA basis Total £m
		USAF £m	LSAV £m	Total £m	
Operations					
Operations segment result	**38.6**	**17.8**	**14.4**	**32.2**	**70.8**
Property					
Rental growth	41.0	10.3	10.0	20.3	61.3
Yield movement	23.6	11.8	30.8	42.6	66.2
Disposals and acquisition gains	0.6	(1.2)	1.8	0.6	1.2
Investment property gains	65.2	20.9	42.6	63.5	128.7
Development property gains	38.5	0.6	–	0.6	39.1
Pre-contract/other development costs	(1.5)	–	–	–	(1.5)
Total property	**102.2**	**21.5**	**42.6**	**64.1**	**166.3**
Unallocated					
Shares issued	87.7	–	–	–	87.7
Investment in joint ventures	(3.7)	8.8	(5.1)	3.7	-
Convertible bond	(85.4)	–	–	-	(85.4)
Dividends paid	(44.4)	–	-	-	(44.4)
USAF performance fee	4.0	(0.6)	-	(0.6)	3.4
USAF property acquisition fee	1.6	(0.2)	(0.5)	(0.7)	0.9
Swap cancellation costs	(11.5)		(0.8)	(0.8)	(12.3)
Other	(3.3)	(0.2)	(0.4)	(0.6)	(3.9)
Total unallocated	***(55.0)***	***7.8***	***(6.8)***	***1.0***	***(54.0)***
Total EPRA NAV movement in the year	**85.8**	**47.1**	**50.2**	**97.3**	**183.1**
Total EPRA NAV brought forward	884.9	352.1	320.3	672.4	1,557.3
Total EPRA NAV carried forward	**970.7**	**399.2**	**370.5**	**769.7**	**1,740.4**

The £3.9 million charge that comprises the other balance within the unallocated segment includes a tax charge of £0.9 million, fair value of share options charge of £1.4 million, £0.7 million relating to the redemption of convertible bond, purchase of own shares of £0.3 million and £0.7 million for the UNITE Foundation.

Section 2: Results for the year continued

2.3 Net assets continued

c) Reconciliation to IFRS

To determine EPRA NAV, net assets reported under IFRS are amended to exclude the mark to market valuation of swaps, deferred tax liabilities and to recognise all properties at market value.

The Group also manages NAV using EPRA NNNAV which adjusts EPRA NAV to include the fair value of swaps and debt. Under EPRA best practice guidelines this is considered to give stakeholders the most relevant comparable information on the current fair value of all the assets and liabilities in the Group.

The net assets reported under IFRS reconcile to EPRA NAV and EPRA NNNAV as follows:

	Note	2018 £m	2017 £m
Net asset value reported under IFRS		**2,073.0**	**1,729.0**
Mark to market interest rate swaps		**0.2**	2.1
Realised swap gain		**(2.3)**	–
Deferred tax		**14.5**	9.3
EPRA NAV	2.3a	**2,085.4**	**1,740.4**
Mark to market of fixed rate debt		**(38.0)**	(55.1)
Mark to market interest rate swaps		**(0.2)**	(2.1)
Deferred tax		**(14.5)**	(9.3)
EPRA NNNAV		**2,032.7**	**1,673.9**

d) NAV per share

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

	Note	2018 £m	2017 £m
Net assets			
Basic	2.3c	**2,073.0**	1,729.0
EPRA	2.3a	**2,085.4**	1,740.4
EPRA diluted		**2,088.7**	1,743.0
EPRA NNNAV (diluted)		**2,036.0**	1,676.5
Number of shares (thousands)			
Basic		**263,541**	241,279
Outstanding share options		**917**	919
Diluted		**264,458**	242,198
Net asset value per share (pence)			
Basic		**787p**	717p
EPRA		**791p**	721p
EPRA (fully diluted)		**790p**	720p
EPRA NNNAV (fully diluted)		**770p**	692p

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Section 2: Results for the year continued

2.4. Revenue and costs

The Group earns revenue from the following activities:

		Note	2018 £m	2017 £m
Rental income	Operations segment	2.2a	**112.7**	99.7
Management fees	Operations segment		**15.8**	16.5
USAF performance fee	Unallocated		**–**	3.4
			128.5	119.6
Impact of minority interest on management fees			**(0.2)**	(0.3)
Total revenue			**128.3**	**119.3**

The cost of sales included in the consolidated income statement includes property operating expenses of £28.7 million (2017: £28.5 million) and operating lease rentals of £11.5 million (2017: £12.6 million).

Accounting policies

The Group recognises revenue from the following major sources:

- Rental income
- Management and performance 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.

There has been no impact to the revenue balances on transition to IFRS 15.

Rental income

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

Management and performance fees

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

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

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 the control of the asset is transferred to the joint venture. The transaction price for this revenue stream is again stipulated in the joint venture agreement as a percentage of the value of the acquisition.

Section 2: Results for the year continued

2.5 Tax

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

Accounting policies

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

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

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

As a REIT, rental profits and gains on disposal of investment properties 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 (revaluation and capital allowances).

At the balance sheet date, the Group's investments in unit trusts were not exempt from tax as a REIT and, where they remain within the charge to tax, a deferred tax liability has been recognised as appropriate. The Group will be able to utilise its tax adjusted losses against gains arising on the disposal of its investments in unit trusts. As the deferred tax liability on non-property business investments exceeds the asset relating to the losses the deferred tax asset in respect of the tax adjusted losses has been recognised in full.

However, the Finance Act 2019 (substantively enacted on 8 January 2019) contains provisions that exempt gains arising in accounting periods beginning on or after 6 April 2019 on the disposal by a REIT of shares and other similar interests in entities that derive at least 75% of their value from land situated in the UK. These provisions will exempt the Group's holdings in unit trusts from the charge to tax. This is considered in more detail at 2.5 d).

a) Tax – income statement

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

	2018 £m	2017 £m
Corporation tax on residual business income arising in UK companies	3.7	1.7
Income tax on UK rental income arising in non-UK companies	0.4	–
Current tax charge	**4.1**	**1.7**
Origination and reversal of temporary differences	4.4	4.5
Effect of change in tax rate	–	(0.6)
Deferred tax charge	**4.4**	**3.9**
Total tax charge in income statement	**8.5**	**5.6**

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

Section 2: Results for the year continued

2.5 Tax continued

a) Tax – income statement continued

In the income statement a tax charge of £8.5 million arises on a profit before tax of £245.8 million. The taxation charge that would arise at the standard rate of UK corporation tax is reconciled to the actual tax charge as follows:

	2018 £m	2017 £m
Profit before tax	**245.8**	**229.4**
Income tax using the UK corporation tax rate of 19% (2017: 19.25%)	**46.7**	44.2
Property rental business profits exempt from tax in the REIT Group	**(13.5)**	(11.2)
Property revaluations not subject to tax	**(24.9)**	(25.0)
Effect of indexation on investments	**–**	(1.1)
Effect of statutory tax reliefs	**(0.2)**	(0.6)
Effect of tax deduction transferred to equity on share schemes	**0.3**	0.5
Rate difference on deferred tax	**–**	(0.5)
Prior year adjustments	**0.1**	(0.7)
Total tax charge/(credit) in income statement	**8.5**	**5.6**

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

Although the Group does not pay UK corporation tax on the profits from its property rental business, it is required to distribute 90% of the profits from its property rental business after accounting for tax adjustments as a Property Income Distribution (PID). PIDs are charged to tax in the same way as property income in the hands of the recipient. For the year ended 31 December 2018 the required PID is expected to be £58.2 million of which £55.9 million has been distributed at the year end, with the remainder to be distributed in May 2019.

b) Tax – other comprehensive income

Within other comprehensive income a tax charge totalling £nil (2017: £nil) has been recognised representing deferred tax.

c) Tax – statement of changes in equity

Within the statement of changes in equity a tax credit totalling £0.1 million (2017: £0.7 million credit) has been recognised representing deferred tax.

d) Tax – balance sheet

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

2018

	At 31 December 2017 £m	Charged/ (Credited) in income £m	(Charged)/ credited in equity £m	At 31 December 2018 £m
Investments	20.6	3.8	–	**24.4**
Property, plant and machinery	(0.8)	0.1	–	**(0.7)**
Share schemes	(0.9)	0.1	0.2	**(0.6)**
Tax value of carried forward losses recognised	(11.3)	0.4	(0.3)	**(11.2)**
Net tax liabilities/(assets)	**7.6**	4.4*	(0.1)	**11.9**

* The £4.4 million balance above includes two tax movements (property, plant and machinery and share schemes) [illegible] EPRA [illegible] reconciliation in note 2.3b) [illegible] EPRA [illegible] recommendations.

Section 2: Results for the year continued

2.5 Tax continued

d) Tax – balance sheet continued

2017

	At 31 December 2016 £m	Charged/(credited) to income £m	Charged/(credited) in equity £m	At 31 December 2017 £m
Investments	17.2	3.4	–	**20.6**
Property, plant and machinery	(0.1)	(0.7)	–	**(0.8)**
Share schemes	(0.9)	0.1	(0.1)	**(0.9)**
Tax value of carried forward losses recognised	(11.8)	1.1	(0.6)	**(11.3)**
Net tax liabilities/(assets)	**4.4**	**3.9***	**(0.7)**	**7.6**

* The £0.7m [illegible]

The UK corporation tax rate will reduce from 19% to 17% with effect from 1 April 2020. This will reduce the Group's future current tax charge accordingly. The deferred tax liability at 31 December 2018 has been calculated based on the rate at which it is expected to reverse.

As a REIT, disposals of investment property are exempt from tax and as a result no deferred tax liability has been recognised in relation to these assets. At the balance sheet date, the Group's investments in property unit trusts (being primarily its interests in joint ventures) were not exempt from tax as a REIT. Where they remain within the charge to tax, a deferred tax liability has been recognised on the excess of the market value of these assets over their historic tax base cost. At 31 December 2018, the deferred tax liability in relation to these investments was £24.4 million.

The unit trusts in which the Group invests derive their value from UK land. On 8 January, the Finance Act 2019 was substantively enacted which contains provisions that will exempt capital gains on such units from the charge to UK tax to the extent they derive their value from UK property. As these provisions had not been substantively enacted at the balance sheet date, the Group is recognising a deferred tax liability in respect of its investments. However, the Group will reverse this deferred tax liability during 2019, resulting in a credit to the income statement. The deferred tax asset in respect of losses will also be reversed to the extent that it has been recognised against the liability on investments. The expected impact of the reversal of these deferred tax items is shown in the table below.

Impact of Finance Act 2019

	At 31 December 2018 £m	Charged/(credited) to income £m	Charged/(credited) in equity £m	Deferred tax (asset)/liability after release £m
Investments	24.4	(24.4)	–	–
Property, plant and machinery	(0.7)	–	–	(0.7)
Share schemes	(0.6)	–	–	(0.6)
Tax value of carried forward losses recognised	(11.2)	9.9	–	(1.3)
Net tax (assets)/liabilities	**11.9**	**(14.5)**	**–**	**(2.6)**

Deferred tax is an accounting adjustment intended to reflect tax that the Group may have to pay in the future if certain events occur, and is distinct from the Group's current tax charge (the latter being the tax actually payable to HM Revenue & Customs for the year). Accordingly, a reversal of the deferred tax provision is an accounting only adjustment, and does not result in the Group receiving a tax credit or refund.

Company

Deferred tax has not been recognised on temporary differences of £191.0 million (2017: £166.9 million) in respect of revaluation of subsidiaries and investment in joint ventures as it is considered unlikely that these investments will be divested.

2.6 Audit fees

Disclosures in respect of fees paid to the auditors can be found in the Audit Committee report, page 71.

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 two groups on the balance sheet at the carrying values detailed below.

In the Group's EPRA NAV all these groups are shown at market value.

i) Investment property (fixed assets)

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

ii) Investment property under development (fixed assets)

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

Accounting policies

Properties held under operating leases are not included in assets, but the future payments due in respect of these properties are disclosed in note 4.6a.

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

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

The recognition of acquisitions and disposals of investment and other property occurs on unconditional exchange of contracts. In accordance with IFRS 15, revenue from the disposal of investment and other property is recognised at a point in time.

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 5.4% (2017: 6.1%).

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

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. CBRE, Richard Ellis Ltd, Jones Lang LaSalle Ltd and Messrs Knight Frank, Chartered Surveyors were the valuers in the years ended 31 December 2018 and 2017.

The valuations are based on:

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

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

Section 3: Asset management continued

3.1 Wholly owned property assets continued

The movements in the carrying value of the Group's wholly owned property portfolio during the year ended 31 December 2018 are shown in the table below. The fair value of the Group's wholly owned properties at the year ended 31 December 2018 is also shown below.

2018

	Investment property £m	Investment property under development £m	Total £m
At 1 January 2018	**1,261.4**	**205.7**	**1,467.1**
Cost capitalised	**10.5**	**230.7**	**241.2**
Interest capitalised	**–**	**10.5**	**10.5**
Transfer from investment property under development	**204.5**	**(204.5)**	**–**
Transfer from work in progress	**–**	**0.9**	**0.9**
Disposals	**(49.5)**	**–**	**(49.5)**
Valuation gains	**75.6**	**47.4**	**123.0**
Valuation losses	**(5.4)**	**(11.8)**	**(17.2)**
Net valuation gains	**70.2**	**35.6**	**105.8**
Carrying and market value at 31 December 2018	**1,497.1**	**278.9**	**1,776.0**

The movements in the carrying value of the Group's wholly owned property portfolio during the year ended 31 December 2017 are shown in the table below. The fair value of the Group's wholly owned property portfolio at the year ended 31 December 2017 is also shown below:

2017

	Investment property £m	Investment property under development £m	Total £m
At 1 January 2017	1,061.6	184.6	1,246.2
Cost capitalised	7.6	130.7	138.3
Interest capitalised	–	7.4	7.4
Transfer from investment property under development	156.3	(156.3)	
Transfer from work in progress	–	0.8	0.8
Disposals	(28.7)	–	(28.7)
Valuation gains	78.6	43.6	122.2
Valuation losses	(14.0)	(5.1)	(19.1)
Net valuation gains	64.6	38.5	103.1
Carrying and market value at 31 December 2017	**1,261.4**	**205.7**	**1,467.1**

Included within investment properties at 31 December 2018 are £29.9 million (2017: £30.5 million) of assets held under a long leasehold and £0.1 million (2017: £9.0 million) of assets held under short leasehold.

Total interest capitalised in investment and development properties at 31 December 2018 was £49.8 million (2017: £41.5 million) on a cumulative basis. Total internal costs relating to construction and development costs of Group properties amount to £59.6 million at 31 December 2018 (2017: £54.6 million) on a cumulative basis.

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Section 3: Asset management continued

3.1 Wholly owned property assets continued

Recurring fair value measurement

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

Class of asset	2018 £m	2017 £m
London – rental properties	**499.8**	465.9
Prime provincial – rental properties	**298.3**	266.3
Major provincial – rental properties	**409.4**	300.4
Other provincial – rental properties	**289.6**	228.8
London – development properties	**49.1**	–
Prime provincial – development properties	**125.4**	57.9
Major provincial – development properties	**104.4**	120.8
Other provincial – development properties	**–**	27.0
Market value	**1,776.0**	**1,467.1**

The valuation technique for investment properties is a discounted cash flow using the following inputs: net rental income, estimated future costs occupancy and property management costs

Where the asset is leased to a University, the valuations also reflect the length of the lease, the allocation of maintenance and insurance responsibilities between the Group and the lessee, and the market's general perception of the lessee's creditworthiness

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

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

Fair value using unobservable inputs (Level 3)

	2018 £m	2017 £m
Opening fair value	**1,467.1**	1,246.2
Gains and losses recognised in income statement	**105.8**	103.1
Capital expenditure	**252.6**	146.5
Disposals	**(49.5)**	(28.7)
Closing fair value	**1,776.0**	**1,467.1**

Section 3: Asset management continued

3.1 Wholly owned property assets continued

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

2018

	Fair value £m	Valuation technique	Unobservable inputs	Range	Weighted average
London – rental properties	499.8	Discounted cash flows	Net rental income (£ per week)	£184 - £355	£267
			Estimated future rent (%)	2% – 7%	3%
			Discount rate (yield) (%)	4.0% – 5.0%	4.2%
Prime provincial – rental properties	298.3	Discounted cash flows	Net rental income (£ per week)	£139 – £166	£153
			Estimated future rent (%)	2% – 6%	3%
			Discount rate (yield) (%)	4.5% – 6.0%	5.1%
Major provincial – rental properties	409.4	Discounted cash flows	Net rental income (£ per week)	£99 – £149	£135
			Estimated future rent (%)	1% – 5%	2%
			Discount rate (yield) (%)	4.8% – 6.1%	5.6%
Other provincial – rental properties	289.6	Discounted cash flows	Net rental income (£ per week)	£100 – £174	£138
			Estimated future rent (%)	2% – 7%	4%
			Discount rate (yield) (%)	4.9% – 15.0%	5.8%
London – development properties	49.1	Discounted cash flows	Estimated cost to complete (£m)	£63.3m – £186.3m	£135.4m
			Estimated future rent (%)	3%	3%
			Discount rate (yield) (%)	4.3%	4.3%
Prime provincial – development properties	125.4	Discounted cash flows	Estimated cost to complete (£m)	£15m – £77.1m	£37.7m
			Estimated future rent (%)	3%	3%
			Discount rate (yield) (%)	4.5% – 5.3%	4.8%
Major provincial – development properties	104.4	Discounted cash flows	Estimated cost to complete (£m)	£19.4m – £57.8m	£37.1m
			Estimated future rent (%)	3%	3%
			Discount rate (yield) (%)	5.3% - 5.5%	5.4%
Fair value at 31 December 2018	**1,776.0**				

2017

	Fair value £m	Valuation technique	Unobservable inputs	Range	Weighted average
London – rental properties	465.9	Discounted cash flows	Net rental income (£ per week)	£183 – £345	£255
			Estimated future rent (%)	1% – 6%	3%
			Discount rate (yield) (%)	4.2% – 5.0%	4.5%
Prime provincial – rental properties	266.3	Discounted cash flows	Net rental income (£ per week)	£135 - £156	£146
			Estimated future rent (%)	1% – 6%	4%
			Discount rate (yield) (%)	4.5% – 7.0%	5.3%
Major provincial – rental properties	300.4	Discounted cash flows	Net rental income (£ per week)	£100 – £157	£127
			Estimated future rent (%)	1% – 4%	3%
			Discount rate (yield) (%)	4.5% – 6.1%	5.7%
Other provincial – rental properties	228.8	Discounted cash flows	Net rental income (£ per week)	£94 – £164	£134
			Estimated future rent (%)	2% - 8%	4%
			Discount rate (yield) (%)	5.2% - 13.5%	6.0%
Prime provincial – development properties	57.9	Discounted cash flows	Estimated cost to complete (£m)	£8.1m – £72.0m	£55.4m
			Estimated future rent (%)	3%	3%
			Discount rate (yield) (%)	5.3% - 5.8%	5.5%
Major provincial – development properties	120.8	Discounted cash flows	Estimated cost to complete (£m)	£13.9m – £81.9m	£42.3m
			Estimated future rent (%)	3%	3%
			Discount rate (yield) (%)	5.5% – 6.0%	5.7%
Other provincial – development properties	27.0	Discounted cash flows	Estimated cost to complete (£m)	£11.4m	£11.4m
			Estimated future rent (%)	3%	3%
			Discount rate (yield) (%)	5.7%	5.7%
Fair value at 31 December 2017	**1,467.1**				

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

Section 3: Asset management continued

3.2 Inventories

	2018 £m	2017 £m
Interests in land	**6.8**	0.9
Other stocks	**2.3**	3.6
Inventories	**9.1**	**4.5**

At 31 December 2018, the Group had interests in one piece of land (2017: one piece of land).

3.3 Other non-current assets

Accounting policies

Property, plant and equipment

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

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment. Freehold land is not depreciated. The estimated useful lives are as follows:

- Leasehold improvements — Shorter life of lease and economic life
- Other assets — 4–20 years

Intangible assets

Intangible assets predominantly comprise internally developed 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. Expenditure on research activities is recognised in the income statement as an expense incurred, 2018: £nil (2017: £nil). 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.

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

	2018			2017		
	Property, plant and equipment £m	**Intangible assets £m**	**Total £m**	Property, plant and equipment £m	Intangible assets £m	Total £m
Cost or valuation						
At 1 January	**20.1**	**47.0**	**67.1**	22.0	41.3	63.3
Additions	**1.3**	**6.6**	**7.9**	4.4	5.7	10.1
Disposals	**–**	**–**	**–**	(6.3)	–	(6.3)
At 31 December	**21.4**	**53.6**	**75.0**	20.1	47.0	67.1
Depreciation, amortisation and impairment losses						
At 1 January	**9.1**	**25.6**	**34.7**	12.6	20.9	33.5
Depreciation/amortisation charge	**2.1**	**5.2**	**7.3**	–	–	–
for the year	**–**	**–**	**–**	2.3	4.7	7.0
Impairment*	**–**	**–**	**–**	0.5	–	0.5
Disposals	**–**	**–**	**–**	(6.3)	–	(6.3)
At 31 December	**11.2**	**30.8**	**42.0**	9.1	25.6	34.7
Carrying value at 1 January	**11.0**	**21.4**	**32.4**	9.4	20.4	29.8
Carrying amount at 31 December	**10.2**	**22.8**	**33.0**	**11.0**	**21.4**	**32.4**

* Being write down of leasehold improvements on variation of lease

Intangible assets include £2.8 million (2017: £2.0 million) of assets not being amortised as they are not yet ready for use. Property, plant and equipment assets include £0.6 million (2017: £0.7 million) of assets not being depreciated as they are not ready for use. At 31 December 2018, the Group had no capital commitments relating to intangible assets, or Property, plant and equipment.

Section 3: Asset management continued

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; a significant degree of judgement is exercised in this assessment due to the complexity of the contractual arrangements.

USAF and LSAV are jointly owned entities that are accounted for as joint ventures. Due to the complexity of the contractual arrangements and Unite's role as manager of the joint venture vehicles, the assessment of joint control following changes to accounting standards (IFRS10) involves judgements around a number of significant factors. These factors include how Unite as fund manager has the ability to direct relevant activities such as acquisitions, disposals, capital expenditure for refurbishments and funding whether through debt or equity. This assessment for USAF is complex because of the number of unitholders and how their rights are represented through an Advisory Committee. For some of the activities it is not clear who has definitive control of the activities: in some scenarios the Group can control, in others the Advisory Committee. However, for the activities which are considered to have the greatest impact on the returns of USAF, acquisitions and equity financing, it has been determined that the Group and the Advisory Committee has joint power 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 2018 (2017)	Objective	Partner	Legal entity in which Group has interest
The UNITE UK Student Accommodation Fund (USAF)	26.9%* (26.2%)	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	GIC Real Estate Pte. Ltd. Real estate investment vehicle of the Government of Singapore	LSAV Unit Trust, a Jersey Unit Trust and LSAV (Holdings) Ltd, incorporated in Jersey

* **Part of the Group's interest is held** through a subsidiary, USAF Feeder (Guernsey) Limited, in which there is an external investor. A minority interest therefore occurs on consolidation of the Group's results representing the external investor's share of profits and assets relating to its investment in USAF. The ordinary shareholders of The Unite Group plc are beneficially interested in 25.3% (2017: 24.6%) of USAF.

The increase in ownership of USAF in 2018 was due to the settlement of the 2017 promote fee in units (£4.0 million) and an additional acquisition of units in the year (£8.5 million).

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Section 3: Asset management continued

3.4 Investments in joint ventures (Group) continued

a) 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:

2018

	USAF £m			USAV £m		Total £m	
	Gross	MI	Share	Gross	Share	Gross	Share
Investment property	**2,253.7**	**35.4**	**570.2**	**1,243.4**	**621.7**	**3,497.1**	**1,227.3**
Cash	**127.9**	**2.0**	**32.4**	**47.7**	**23.9**	**175.6**	**58.3**
Debt	**(690.0)**	**(10.8)**	**(174.6)**	**(534.0)**	**(267.0)**	**(1,224.0)**	**(452.4)**
Swap liabilities	**0.4**	**-**	**0.1**	**(0.3)**	**(0.2)**	**0.1**	**(0.1)**
Other current assets	**27.2**	**0.4**	**6.9**	**0.4**	**0.2**	**27.6**	**7.5**
Other current liabilities	**(57.9)**	**(1.1)**	**(11.7)**	**(16.1)**	**(8.1)**	**(74.0)**	**(20.9)**
Net assets	**1,661.3**	**25.9**	**423.3**	**741.1**	**370.5**	**2,402.4**	**819.7**
Minority interest	**-**	**(25.9)**	**-**	**-**	**-**	**-**	**(25.9)**
Swap liabilities	**(0.4)**	**-**	**(0.1)**	**0.3**	**0.2**	**(0.1)**	**0.1**
EPRA net assets	**1,660.9**	**-**	**423.2**	**741.4**	**370.7**	**2,402.3**	**793.9**
Profit for the year	**124.1**	**1.8**	**32.7**	**122.6**	**61.3**	**246.7**	**95.8**

2017

	USAF £m			USAV £m		Total £m	
	Gross	MI	Share	Gross	Share	Gross	Share
Investment property	2,232.7	35.2	548.9	1,158.6	579.3	3,391.3	1,163.4
Cash	101.5	1.6	25.0	31.1	15.6	132.6	42.2
Debt	(689.3)	(10.9)	(169.5)	(424.6)	(212.3)	(1,113.9)	(392.7)
Swap liabilities	0.4	-	0.1	(2.8)	(1.4)	(2.4)	(1.3)
Other current assets	28.5	0.4	7.0	1.5	0.7	30.0	8.1
Other current liabilities	(61.6)	(1.2)	(12.2)	(25.5)	(12.8)	(87.1)	(26.2)
Net assets	1,612.2	25.1	399.3	738.3	369.1	2,350.5	793.5
Minority interest	-	(25.1)	-	-	-	-	(25.1)
Swap liabilities	(0.4)	-	(0.1)	2.8	1.4	2.4	1.3
EPRA net assets	**1,611.8**	**-**	**399.2**	**741.1**	**370.5**	**2,352.9**	**769.7**
Profit for the year	**163.7**	**2.5**	**42.1**	**117.1**	**58.5**	**280.8**	**103.1**

Net assets and profit for the year above include the minority interest, whereas EPRA net assets exclude the minority interest.

Section 3: Asset management continued

3.4 Investments in joint ventures (Group) continued

b) 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 £26.2 million during the year ended 31 December 2018 (2017: £100.6 million), resulting in an overall carrying value of £819.7 million (2017: £793.5 million). The following table shows how the increase has been achieved.

	2018 £m	2017 £m
Recognised in the income statement:		
Operations segment result	**34.1**	32.2
Minority interest share of Operations segment result	**1.1**	1
Management fee adjustment related to trading with joint venture	**6.4**	5.7
Net revaluation gains	**58.1**	65.0
Loss on cancellation of interest rate swaps	**–**	(0.8)
(Loss)/profit on disposal of properties	**(3.5)**	0.5
Other	**(0.4)**	(0.6)
	95.8	103.[illegible]
Recognised in equity:		
Movement in effective hedges	**1.2**	2.1
Other adjustments to the carrying value:		
Profit adjustment related to trading with joint venture	**(6.4)**	(7.4)
Additional capital invested in USAF	**8.6**	18.5
Performance fee units issued in USAF	**4.0**	8
(Redemption of units)/additional capital invested in LSAV	**(39.5)**	8.5
USAF performance fee	**–**	(0.7)
Distributions received	**(37.5)**	(3[illegible].6)
Increase in carrying value	**26.2**	**100.6**
Carrying value at 1 January	**793.5**	692.9
Carrying value at 31 December	**819.7**	**793.5**

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Section 3: Asset management continued

3.4 Investments in joint ventures (Group) continued

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

In addition to its equity shares, the Group has also provided interest free investment loans to some of the joint ventures. These were primarily provided on the setting up of the joint venture to provide capital to acquire investment properties. As a result of being provided interest free, the loans were discounted on recognition to reflect the fair value, the unwinding of the discount is reflected in the Group's finance income.

c) 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 fees in its results for the year.

	2018 £m	2017 £m
USAF	**13.5**	13.1
LSAV	**5.9**	7.9
Asset and property management fees	**19.4**	21.0
USAF performance fee	**–**	4.0
USAF acquisition fee	**–**	0.7
LSAV acquisition fee	**–**	1.0
Investment management fees*	**–**	5.7
Total fees	**19.4**	26.7

* Included in the movement in EPRA NAV is a USAF performance fee of £[illegible] (2017: £3.4 million). This is the gross fee of £[illegible] (2017: £4.0 million) paid by USAF net of a £[illegible] (2017: £0.6 million) adjustment related to trading with joint ventures. In 2018, the 2017 USAF performance fee was settled in units in the UNITE UK Student Accommodation Fund rather than cash. [illegible] performance fees are set out in the Strategic report on pages [illegible].

Included in share of joint venture profit in the income statement is a share of joint venture property management fee costs of £nil (2017: £1.2 million) On an EPRA basis these costs are deducted from the property management fees shown above, and there is an adjustment for the minority interest of £0.2 million (2017: £0.2 million). This results in the net fees included in the Operating segment result (note 2.2a) of £15.6 million (2017: £14.[illegible] million). Development management fees are included in the Property segment result (note 2.2a). Investment management fees are included within the unallocated to segments section (note 2.2a).

Section 3: Asset management continued

3.4 Investments in joint ventures (Group) continued

c) Transactions with joint ventures continued

During 2017, the Group recognised additional proceeds of £2 million in relation to the sale of a property to LSAV in 2015 under the terms of the original sale agreement. At 31 December 2017, the proceeds had not been settled and therefore no cash flows were disclosed in 2017. The proceeds were settled in cash in 2018. The profits relating to sales and associated disposal costs and related cash flows are set out below.

	Profit and loss 2018	Profit and loss 2017
	LSAV	LSAV
	£m	£m
Included in profit on disposal of property (net of joint venture trading adjustment)	**–**	1.0
Profit on disposal of property	**–**	**1.0**

	Cash flow 2018	Cash flow 2017
	LSAV	LSAV
	£m	£m
Gross proceeds	**1.0**	–
Net cash flows included in cash flows from investing activities	**1.0**	–

3.5 Investments in subsidiaries (Company)

Accounting policies

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

Carrying value of investment in subsidiaries

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

	Investment in subsidiaries	
	2018	2017
	£m	£m
At 1 January	**926.6**	725.4
Revaluation	**262.8**	201.2
At 31 December	**1,189.4**	926.6

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 131. 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 139.

In addition to the equity investment in subsidiaries and joint ventures, the Company has provided a loan with interest chargeable at 6.125% to LDC (Holdings) plc. The carrying value of the loan to LDC (Holdings) plc was £90.0 million (2017: £90.0 million).

A full list of the Company's subsidiaries and joint ventures can be found in note 7.

Section 4: Funding

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

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

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

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

4.1 Borrowings

Accounting policies

In the current year, the Group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. Additionally, the Group adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures for 2018 and to the comparative period.

IFRS 9 introduced new requirements for:

1) The classification and measurement of financial assets and financial liabilities

2) Impairment of financial assets, and

3) General hedge accounting

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

(a) Classification and measurement of financial assets and financial liabilities

The date of initial application (i.e. the date on which the Group has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 January 2018. Accordingly, the Group has applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018.

Unite reviewed and assessed the Group's existing financial assets and liabilities as at 1 January 2018 based on the facts and circumstances that existed at that date. There was no impact on the classification and measurement of those assets and liabilities.

(b) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at **each reporting date to reflect** changes in credit risk **since initial** recognition of the financial assets. In other words, it is no longer necessary for **a credit event** to **have occurred** before credit losses **are recognised**.

In particular, IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit impaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12 months ECL. The impact of this assessment is disclosed within note 5.2 of the financial statements.

(c) General hedge accounting

The Group has applied the IFRS 9 hedge accounting requirements prospectively from the date of initial application on 1 January 2018. The Group's qualifying hedging relationships in place as at 1 January 2018 also qualify for hedge accounting in accordance with IFRS 9 and were therefore regarded as continuing hedging relationships. However, under IFRS 9, unlike under IAS 39, hedge accounting may not be voluntarily discontinued if the criteria for discontinuation are not met. Under IFRS 9 the hedging reserve now includes balances arising from hedging relationships for which hedge accounting is no longer applied (note 4.5a).

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.

Section 4: Funding continued

4.1 Borrowings continued

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

	Group		Company	
	2018	2017	**2018**	2017
	Carrying value £m	Carrying value £m	**Carrying value £m**	Carrying value £m
Current				
In one year or less, or on demand	**1.3**	1.3	**0.5**	2.9
Non-current				
In more than one year but not more than two years	**85.6**	1.4	**84.2**	–
In more than two years but not more than five years	**110.3**	379.4	**–**	267.6
In more than five years	**395.4**	130.7	**271.4**	–
	591.3	511.5	**355.6**	267.6
Total borrowings	**592.6**	**512.8**	**356.1**	**270.5**

In addition to the borrowings currently drawn as shown above, the Group has available undrawn facilities of £350.0 million (2017: £327.0 million). A further overdraft facility of *£10.0 million (2017: £10.0 million)* is also available.

Properties with a carrying value of £638.1 million (2017: £609.1 million) have been pledged as security against the Group's drawn down borrowings.

The carrying value of borrowings is considered to be approximate to fair value, except for the Group's fixed rate loans as analysed below:

	2018		2017	
	Carrying value £m	**Fair value £m**	Carrying value £m	Fair value £m
Level 1 IFRS fair value hierarchy	**365.0**	**373.5**	90.0	96.1
Level 2 IFRS fair value hierarchy	**237.8**	**251.2**	239.1	263.8
Other loans	**(10.2)**	**(10.2)**	183.7	183.7
Total borrowings	**592.6**	**614.5**	**512.8**	**543.6**

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

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

Section 4: Funding continued

4.1 Borrowings continued

	2018 £m	2017 £m
Opening loan balance	**512.80**	474.80
Cashflow movement		
Drawdowns	**375.00**	254.00
Repayments	**295.40**	129.60
Capitalised	**1.80**	4.90
Non-cashflow movement		
Convertible bond	**–**	86.20
Amortisation of finance fees	**1.70**	3.70
Closing balance	**592.60**	512.80

4.2 Interest rate swaps

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

Accounting policies

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

The Group designates certain interest rate derivatives as hedging instruments. The interest rate swap is designated as the hedging instrument in a hedge of the variability in cash flows attributable to the interest risk of borrowings. At inception the Group documents the relationship between the hedging instrument and the hedged item, along with the risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective. 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. The Group only applies hedge accounting when the hedge is expected to be highly effective.

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:

	2018 £m	2017 £m
Current	**–**	–
Non current	**0.1**	0.8
Fair value of interest rate swaps	**0.1**	**0.8**

The fair values of interest rate swaps 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

In addition to the fair value of interest rate swaps shown in the table above, there is £2.2m which relates to a discontinued swap in 2018 (2017: nil)

Section 4: Funding continued

4.3 Net financing costs

Accounting policies

Net financing costs comprise interest payable on borrowings 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	2018 £m	2017 £m
Finance income		
– Interest income on deposit	**(0.9)**	(0.1)
Finance income	**(0.9)**	(0.1)
Gross interest expense on loans	**24.8**	24.7
Interest capitalised	**(10.5)**	(7.4)
Loan interest and similar charges	**14.3**	17.3
Swap cancellation and loan break costs	**0.1**	11.5
Finance costs	**14.4**	28.8
Net financing costs	**13.5**	28.7

The average cost of the Group's wholly owned investment debt at 31 December 2018 is 3.8% (2017: 4.3%). The overall average cost of investment debt on an EPRA basis is 3.8% (2017: 4.1%).

4.4 Gearing

The Group's adjusted gearing ratio is a key indicator that the Group uses to manage its indebtedness. EPRA net asset value (NAV) and adjusted net debt are used to calculate adjusted gearing. Adjusted net debt excludes mark to market of interest rate swaps as shown below.

The Group's gearing ratios are calculated as follows:

	Note	2018 £m	2017 £m
Cash and cash equivalents	5.1	**123.6**	51.2
Current borrowings	4.1	**(1.3)**	(1.3)
Non-current borrowings	4.1	**(591.3)**	(511.5)
Interest rate swaps liabilities	4.2	**(0.1)**	(0.8)
Net debt per balance sheet		**(469.1)**	**(462.4)**
Mark to market of interest rate swaps		**0.1**	0.8
Adjusted net debt		**(469.0)**	**(461.6)**
Reported net asset value (attributable to owners of the parent company)	2.3c	**2,073.0**	1,729.0
EPRA net asset value	2.3c	**2,085.4**	1,740.4
Gearing			
Basic (net debt/reported net asset value)		**23%**	27%
Adjusted gearing (adjusted net debt/EPRA net asset value)		**22%**	27%
Gearing (EPRA net debt/EPRA net asset value)	2.3a	**41%**	46%
Loan to value (EPRA net debt/total property portfolio)	2.3a	**29%**	31%

Section 4: Funding continued

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.

a) 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 2–10 years.

At 31 December 2018, after taking account of interest rate swaps 100% (2017: 64%) of the Group's borrowing was held at fixed rates. Excluding the £nil million (2017: £4.7 million) of swaps the fixed investment borrowing is at an average rate of 4.4% (2017: 5.2%) for an average period of 6.4 years (2017: 4.5 years), including all debt with current or forward starting swaps the average rate is 4.4% (2017: 4.0%).

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

The Group holds interest rate swaps at 31 December 2018 against £nil million (2017: £4.7 million) of the Group's borrowings. The maturity of these swaps and the applicable interest rates are shown below, in line with disclosure under IFRS 7 24B(b). The following tables detail various information regarding interest rate swap contracts outstanding at the end of the reporting period and their related hedged items. Under IFRS 9 part of the hedging reserve now relates to balances arising from hedge relationships for which hedge accounting is no longer applied.

Hedging instruments

	2018 Applicable interest rates %	2017 Applicable interest rates %	2018 Nominal amount hedged £m	2017 Nominal amount hedged £m	2018 Carrying amount of hedge £m	2017 Carrying amount of hedge £m	2018 Change in fair value £m	2017 Change in fair value £m
Within one year	–	–	–	–	–	–	–	–
Between one and two years	–	–	–	–	–	–	–	–
Between two and five years	–	2.1	–	4.7	**(0.1)**	(0.8)	**0.6**	0.8
More than five years	–	–	–	–	–	–	–	–

Hedged items

	2018 Nominal amount £m	2017 Nominal amount £m	2018 Change in value £m	2017 Change in value £m	2018 Hedging reserve – cont* £m	2017 Hedging reserve – cont* £m	2018 Hedging reserve – dis** £m	2017 Hedging reserve – dis** £m
Variable rate borrowings	–	7.2	–	–	**(0.2)**	(2.1)	**2.2**	–

* Relates to the cash flow hedging reserve for continuing hedges.
** The balance in the cash flow hedging reserve arising from hedging relationships 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:

	2018 Gains/(losses) in OCI £m	2017 Gains/(losses) in OCI £m	2018 Hedge ineffectiveness £m	2017 Hedge ineffectiveness £m	Line item in P&L	2018 Reclassified to P&L – dis £m	2017 Reclassified to P&L – dis £m	2018 Reclassified to P&L – cont £m	2017 Reclassified to P&L – cont £m	Line item in P&L
Variable rate borrowings	**0.6**	10.8	–	–	Other gains and losses	**0.1**	–	–	–	Loan interest and similar charges

Section 4: Funding continued

4.5 Financial risk factors continued

a) Interest rate risk continued

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is 3-month LIBOR. The Group will settle the difference between the fixed and floating interest rate on a net basis.

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

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments as at 31 December 2018. 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 profit for the year ended 31 December 2018 would decrease by £1.1 million (2017: decrease by £0.8 million). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings. The Group's sensitivity to interest rates has increased during the current year mainly due to the increase in variable rate debt drawn.

b) 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 treasury 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 any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The tables below detail the credit quality of the Group's financial assets, contract assets and financial guarantee contracts, as well as the Group's maximum exposure to credit risk by credit risk rating grades:

31 December 2018	Lowest external credit rating	Internal credit rating	12 month or lifetime ECL?	Gross carrying amount £m	Loss allowance £m	Net carrying amount £m
Bank deposits	A-	performing	1-3 months	105.0	–	105.0

31 December 2017	Lowest external credit rating	Internal credit rating	12 month or lifetime ECL?	Gross carrying amount £m	Loss allowance £m	Net carrying amount £m
Bank deposits	A	performing	1-3 months	33.0	–	33.0

c) 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.

Section 4: Funding continued

4.5 Financial risk factors continued

c) Liquidity risk continued

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 Group issued £275 million of 10-year unsecured fixed bonds in 2018, the proceeds of which were used to fully repay its floating rate revolving credit facility.

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

31 December 2018

	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	–	–	–	–	–	–	–	–
Fixed interest rate instruments	**4.4**	–	–	–	**203.8**	**399.0**	**602.8**	**602.8**

31 December 2017

	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	–	–	–	190.1	–	190.1	190.1
Fixed interest rate instruments	5.2	–	–	–	205.1	124.0	329.1	329.1

The following tables detail the Group's liquidity analysis for its derivative financial instruments based on contractual maturities. The tables have been drawn up based on the undiscounted net cash inflows and outflows on derivative instruments that settle on a net basis and the undiscounted gross outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

	Less than 1 month £m	1–3 months £m	3 months to 1 year £m	1–5 years £m	5+ years £m
31 December 2018					
Net settled:					
Interest rate swaps	–	–	–	–	–
31 December 2017					
Net settled:					
Interest rate swaps	–	–	0.1	0.4	–

The Group has access to financing facilities as described below, of which £350 million were unused at the reporting date (2017: £317 million). The Group expects to meet its other obligations from operating cash flows.

	31/12/2018 £m	31/12/2017 £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	–	183.0
– amount unused	**350.0**	317.0
	350.0	**500.0**

Section 4: Funding continued

4.5 Financial risk factors continued

d) Covenant compliance

At 31 December 2018, the Group was in full compliance with all of its borrowing covenants.

The Group monitors its covenant position and the forecast headroom available on a monthly basis.

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

	31-Dec-18		31-Dec-17	
	Covenant	**Actual**	Covenant	Actual
Gearing	**< 1.50**	**0.23**	< 1.50	0.28
Unencumbered assets ratio	**> 1.70**	**4.19**	> 1.70	3.3
Secured gearing	**< 0.25**	**0.09**	< 0.25	[illegible]
Development assets ratio	**< 30%**	**11%**	< 30%	9%
Joint venture ratio	**< 55%**	**31%**	< 55%	35%
Interest cover	**> 2.90**	**7.8**	> 2.90	5.2

The Group's two secured loan facilities carry separate covenants. The covenant headroom position on secured loans is outlined below and assumes that the Group is able to use available cash within net debt.

	31 December 2018		31 December 2017	
	Weighted covenant	**Weighted actual**	Weighted covenant	Weighted actual
Loan to value	**75%**	**34%**	65%	36%
Interest cover	**1.5**	**2.7**	1.9	4.2

4.6 Operating leases

a) Payable

Accounting policies

Payments made under operating leases are recognised in the income statement on a straight line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense. Where the property interest under an operating lease is classified as an investment property, the property interest is accounted for as if it were a finance lease and the fair value model is used for the asset recognised.

The Group has a number of sale and leaseback properties which are accounted for as operating leases.

The total future minimum lease rentals payable under non-cancellable operating leases fall due for repayment as follows:

	2018 £m	2017 £m
Less than one year	**13.7**	13.1
Between one and five years	**55.7**	52.7
More than five years	**145.5**	152.0
Total	**214.9**	**217.8**

These leases primarily relate to properties which the Group has sold and leased back and on which rental income is earned. The leases are generally for periods between [illegible] and 16 years and subject to annual RPI-based rent review. The total operating lease expenditure incurred during the year was £13.8 million (2017: £14.5 million).

b) Receivable

The Group accounts for its tenancy contracts offered to commercial and individual tenants as operating leases. The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2018 £m	2017 £m
Less than one year	**96.9**	131.0
Between one and five years	**160.8**	177.5
More than five years	**279.3**	262.3
Total	**537.0**	**570.8**

Section 4: Funding *continued*

4.7 Capital management

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

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

— adjusted net debt (note 4.4)

— adjusted gearing (note 4.4)

— LTV (note 2.3a)

— weighted average cost of investment debt (note 4.5aii)

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. £49.5 million of property assets were sold in 2018 and we plan to sell £100–£150 million of property during 2019. The Group targets a yield on cost of approximately 8%. 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. The Operations segment generated cash of £81.2 million (2017: £63.2 million) during the year, thereby covering the combined paid interim dividend and proposed final dividend of £75.7 million 1.1 times (2017: £54.8 million, 1.2 times).

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:

	2018			2017		
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 start of year	**240,830,281**	**60.2**	**579.5**	222,047,816	55.5	493.6
Share placing	**22,206,872**	**5.6**	**160.6**	–	–	–
Shares issued from Convertible Bond	**–**	**–**	**–**	18,593,589	4.7	85.3
Share options exercised	**477,998**	**0.1**	**0.4**	188,876	0.0	0.6
At end of year	**263,515,151**	**65.9**	**740.5**	240,830,281	60.2	579.5

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

4.9 Dividends

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

During the year, the Company declared and paid an interim dividend of £24.3 million – 9.5p per share (2017: £17.7 million – 7.3p per share) and paid a £38.2 million final dividend – 15.4p per share relating to the year ended 31 December 2017 (2016: £26.7 million – 12.0p per share).

After the year end, the Directors proposed a final dividend per share of 19.5p (2017: 15.4p), bringing the total dividend per share for the year to 29.0p (2017: 22.7p). No provision has been made in relation to this dividend.

The Group has modelled tax adjusted property business profits for five years and declared PIDs in respect of the May 2018 and November 2018 distributions to ensure that the PID requirement will be satisfied. The combined PID from the distributions made during 2018 comprise 36% of the Group's forecast tax exempt property rental business profit, leaving a small amount that can be paid as part of the May 2019 distribution.

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 2018 was £123.6 million (2017: £51.2 million).

The Group's cash balances include £2.4 million (2017: £3.[illegible] million) whose use at the balance sheet date is restricted by funding agreements to pay operating costs and loan interest relating to specific properties.

The Group generates cash from its operating activities as follows:

		Group		Company	
	Note	2018 £m	2017 £m	2018 £m	2017 £m
Profit/(loss) for the year		**237.3**	223.8	**252.1**	197.9
Adjustments for:					
Depreciation and amortisation	3.3	**7.3**	7.0	**–**	–
Fair value of share-based payments	6.1	**1.1**	1.5	**–**	–
Dividends received		**–**	–	**–**	–
Change in value of investment property	3.1	**(105.8)**	(103.1)	**–**	–
Change in value of investments	3.5	**–**	–	**(262.8)**	(201.2)
Net finance costs	4.3	**13.5**	28.7	**7.3**	0.5
Loss/(profit) on disposal of investment property		**6.8**	(0.6)	**–**	–
Share of joint venture profit	3.4b	**(95.8)**	(103.1)	**–**	–
Trading with joint venture adjustment		**6.4**	7.2	**–**	–
Tax charge/(credit)	2.5a	**8.5**	5.6	**–**	–
Cash flows from operating activities before changes in working capital		**79.2**	**67.0**	**(3.4)**	**(2.8)**
Decrease in trade and other receivables		**(4.5)**	(13.2)	**–**	–
Increase in inventories		**(5.5)**	(2.3)	**–**	–
(Decrease)/increase in trade and other payables		**(5.8)**	6.9	**2.9**	2.5
Cash flows from operating activities		**63.5**	**58.4**	**(0.5)**	**(0.3)**

In 2018, £4.0 million of the brought forward trade and other receivables was settled in units in USAF rather than cash (2017: £8.1 million).

Cash flows consist of the following segmental cash inflows/(outflows): Operations £81.2 million (2017: £63.2 million), property (£138.3 million) (2017: (£27.7 million)) and unallocated £129.5 million (2017: (£82.4 million)). The unallocated amount includes Group dividends (£62.5 million) (2017: (£42.3 million)), tax payable (£3.8 million) (2017: (£2.1 million)), investment in joint ventures £30.9 million (2017: (£27.0 million)), contributions to the UNITE Foundation (£0.5 million) (2017: (£0.1 million)), purchase of own shares (£1.4 million) (2017: (£1.9 million)) and amounts received from shares issued £166.7 million (2017: £0.6 million).

Section 5: Working capital continued

5.2 Trade and other receivables

Accounting policies
On the basis that trade receivables meet the business model and cash flow characteristics tests, they can be recognised at amortised cost, which is consistent with the previous measurement under IAS 39. A credit risk assessment based on historic data and specific review of individual debtors was carried out for all trade receivables at the point of recognition and an appropriate expected credit loss has been recognised in line with the requirements of IFRS 9. This change in approach did not have a material impact on the carrying value of trade receivables.

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

	Group		Company	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Trade receivables	**22.8**	19.4	**–**	–
Amounts due from Group undertakings	**–**	–	**1,095.4**	912.1
Amounts owed by joint ventures	**36.7**	41.8	**–**	–
Prepayments and accrued income	**14.9**	11.0	**0.2**	–
USAF performance fee	**–**	4.0	**–**	–
Other receivables	**13.7**	6.7	**0.1**	–
Trade and other receivables	**88.1**	82.9	**1,095.7**	912.1

The USAF performance fee will be settled in units in USAF.

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.

2018

	Ageing by academic year			
	Total £m	**2017/18 £m**	**2016/17 £m**	**Prior years £m**
Rental debtors				
Commercial tenants (past due and impaired)	**0.4**	**0.1**	**0.3**	**–**
Individual tenants (past due and impaired)	**24.5**	**23.1**	**0.2**	**1.2**
Expected credit loss carried	**(2.1)**	**–**	**(0.9)**	**(1.2)**
Trade receivables	**22.8**	**23.2**	**(0.4)**	**–**

2017

	Ageing by academic year			
	Total £m	2016/17 £m	2015/16 £m	Prior years £m
Rental debtors				
Commercial tenants (past due and impaired)	**0.3**	**0.3**	**–**	**–**
Individual tenants (past due and impaired)	**20.6**	**19.3**	**0.5**	**0.8**
Expected credit loss carried	**(1.5)**	**(0.2)**	**(0.5)**	**(0.8)**
Trade receivables	**19.4**	**19.4**	**–**	**–**

We do not anticipate there to be any expected credit loss on amounts receivable from joint ventures.

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:

	2018 £m	2017 £m
At 1 January	**1.8**	1.4
Expected credit loss charged to income statement in year	**0.3**	0.5
Receivables written off during the year (utilisation of expected credit loss)	**–**	(0.1)
At 31 December	**2.1**	**1.8**

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	2018 £m	2017 £m
Cash	5.1	**123.6**	51.2
Trade receivables	5.2	**22.8**	19.4
Amounts due from joint ventures (excluding loans that are capital in nature)	5.2	**36.7**	41.8
		183.1	**112.4**

a) 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.

b) Trade receivables

The Group's customers can be split into two groups – (i) students (individuals) and (ii) commercial organisations including universities. The Group's exposure to credit risk is influenced by the characteristics of each customer. The Group holds tenant deposits of £0.9 million (2017: £9.0 million) as collateral against individual customers.

c) Joint ventures

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

Section 5: Working capital continued

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	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Trade payables	**26.6**	19.7	**–**	–
Retentions on construction contracts for properties	**9.1**	7.8	**–**	-
Amounts due to Group undertakings	**–**	–	**2.6**	2.5
Other payables and accrued expenses	**46.1**	67.1	**5.3**	3.2
Deferred income	**59.7**	57.5	**–**	–
Trade and other payables	**141.5**	**152.1**	**7.9**	**5.7**

Other payable and accrued expenses include £0.9 million (2017: £9.0 million) in relation to customer deposits. These will be returned at the end of the tenancy subject to the condition of the accommodation and payment of any outstanding amounts. Deferred income relates to rental income that has been collected in advance of it being recognised as revenue

5.5 Transactions with other Group companies

During the year, the Company entered into various interest free 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 £2.5 million (2017: £2.4 million)

As a result of these inter-company transactions the following amounts were due (to)/from the Company's subsidiaries at the year end

	2018 £m	2017 £m
Unite Holdings plc	**141.7**	77[illegible]
LDC (Holdings) plc	**953.7**	835.0
Amounts due from Group undertakings	**1,095.4**	**912.1**

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

The Company has guaranteed £nil million of its subsidiary companies' borrowings (2017: £nil million). The guarantees have been entered into in the normal course of business. A liability would only arise in the event of the subsidiary failing to fulfil its contractual obligations. These guarantees are accounted for in accordance with IFRS 4.

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.

Over the next couple of pages, you will find disclosures on wages and salaries and share option schemes which allow employees of the Group to take an equity interest in the Group.

6.1 Staff numbers and costs

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

	Number of employees	
	2018	2017
Managerial and administrative	**360**	328
Site operatives	**944**	934
	1,304	**1,262**

The aggregate payroll costs of these persons were as follows:

	2018 £m	2017 £m
Wages and salaries	**42.7**	39.6
Social security costs	**4.1**	3.8
Pension costs	**1.4**	1.2
Fair value of share-based payments	**1.1**	1.5
	49.3	**46.1**

The wages and salaries costs include redundancy costs of £0.4 million (2017: £1.2 million).

Full details of the USAF performance fees are set out in the Strategic report on pages 1 to 51.

There are no employees employed directly by the Company.

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.

6.2 Key management personnel

The Board considers that the key management personnel within the Group are those appointed to the Board. As such, the remuneration of key management personnel is contained within the Directors' Remuneration Report on pages 86 to 95, which covers the requirements of schedule 5 of the relevant legislation.

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

a) Share schemes

The Group operates the following schemes:

Executive share option scheme – 'The Approved Scheme' Executive share option scheme – *'The Unapproved Scheme'* Executive Long-Term Incentive Plan (LTIP)	Details can be found in the Directors' *Remuneration Report*
Save As You Earn Scheme (SAYE)	Open to employees, vesting periods of three to five years, service condition
Employee Share Ownership Trust (ESOT)	Used to award part of Directors' and senior managers' bonuses in shares, vest after three years' continued service

b) Outstanding share options

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

	Weighted average exercise price 2018	**Number of options (thousands) 2018**	Weighted average exercise price 2017	Number of options (thousands) 2017
Outstanding at 1 January	**£1.40**	**1,953**	£1.32	2,113
Forfeited during the year	**£0.86**	**(447)**	£4.04	(130)
Exercised during the year	**£1.27**	**(437)**	£0.86	(779)
Granted during the year	**£2.65**	**682**	£1.52	749
Outstanding at 31 December	**£2.06**	**1,751**	£1.40	1,953
Exercisable at 31 December	**£3.88**	**85**	£2.15	87

For those options exercised in the year, the average share price during 2018 was £6.21 (2017: £6.64).

For those options still outstanding, the range of exercise prices at the year end was 0p to 811p (2017: 0p to 642p) and the weighted average remaining contractual life of these options was 2.3 years (2017: 2.1 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 2018 the number of shares held by the ESOT was 561,600 (2017: 742,682)

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: 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 2018 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. All subsidiaries have a year end of 31 December with the exception of The UNITE Foundation which has a year end of 30 September to facilitate academic year reporting.

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

[illegible] Limited (0[illegible]8274)**
LDC (A R Warehouse) Limited (04872449)
LDC (Albion Road) Limited (06176425)
LDC (Brunel House) Limited (09[illegible])**
LDC (Cambridge Court Leasehold) Limited (05140620)**
LDC (Camden Court) Limited (05082677)**
LDC (Capital Cities Nominee no. 1) Limited (05347225)
LDC (Capital Cities Nominee no. 2) Limited (05319457)
LDC (Capital Cities Nominee no. 3) Limited (08792780)
LDC (Capital Cities Nominee no. 4) Limited (08792568)
LDC (Capital Cities) Limited (05347220)
LDC (Causewayend) Limited (08391960)**
LDC (Chantry Court Leasehold) Limited (05140258)**
LDC (Chaucer House) Limited (09898020)**
LDC (Constitution Street) Limited (09210998)**
LDC (Construction Two) Limited (04847248)**
LDC (Cowan Street) Limited (0462827)**
LDC (Euro Loans) Limited (06873607)**
LDC (Ferry Lane 2) GP3 Limited (07539842)
LDC (Ferry Lane 2) GP4 Limited (07539813)
LDC (Ferry Lane 2) Nominees Limited (07504597)
LDC (Finance) Limited (07610506)**
LDC (Frogmore Street) Limited (03387580)**
LDC (Greetham Street) Limited (08895625)**
LDC (Gt Suffolk St) Limited Partnership
LDC (Gt Suffolk St) Management Limited Partnership
LDC (Gt Suffolk Street GP1) Limited (07274154)
LDC (Gt Suffolk Street GP2) Limited (07274202)
LDC (Gt Suffolk Street) Holdings Limited (07313946)
LDC (Gt Suffolk Street) Management GP1 Limited (07354719)
LDC (Gt Suffolk Street) Management GP2 Limited (07354728)
LDC (Hampton Street) Limited (06415995)**
LDC (Limited Parent) Limited (06765541)**
LDC Holdings Limited (01695007)**
LDC (Imperial Wharf) Limited (04544781)**
LDC (International House) Limited (06583352)**
LDC (Kensington Island) Limited (06562293)**
LDC (Leaside Road) Limited (04096953)**
LDC (Ledbury Road) Limited (05978242)**
LDC (Loughborough) Limited (04207522)**
LDC (Magnet Court Leasehold) Limited (05140255)**
LDC (Milton Keynes Newport) Limited (09890375)**
LDC (MTF Portfolio) Limited (05030[illegible])
LDC (Newcastle) GP 3 Limited (04809933)
LDC (Nairn Street) GP 4 Limited (07805719)
LDC (Nairn Street) Holdings Limited (07579402)**
LDC (Newgate) Limited (08895867)**
LDC (New Wakefield Street) Limited (04364551)**
LDC (Old Hospital) Limited (09702143)**
LDC (Oxford Road Bournemouth) Limited (04407909)**
LDC (Pitt Works) Limited (05978624)**
LDC (Portfolio 100) Limited (07989348)
LDC (Portfolio 20) Limited (05803996)
LDC (Portfolio Five) Limited (06079587)**
LDC (Portfolio Four) Limited (04935613)
LDC (Portfolio One) Limited (04805263)
LDC (Portfolio Two) Limited (03493575)**
LDC (Project 100) Limited (05763590)
LDC (Project 1) Limited (05[illegible])
LDC (Radcliffe Road) Limited (05635290)
LDC (Somerne) Limited (09898152)**
LDC (Smithfield) Limited (03331961)**
LDC (St Leonards) Limited (06256560)**
LDC (St Pancras Way) GP1 Limited (03354701)
LDC (St Pancras Way) GP2 Limited (07552404)
LDC (St Pancras Way) GP3 Limited (07503248)
LDC (St Pancras Way) GP4 Limited (07503315)
LDC (St Pancras Way) Holdings Limited (07560734)**
LDC (St Pancras Way) Limited Partnership
LDC (St Pancras Way) Management Limited Partnership
LDC (St Vincents) Limited (05[illegible])**
LDC (Swindon Street) Limited (04027502)**
LDC (Stanley House) Limited (05274177)**
LDC (Trinity Street) GP1 Limited (07789320)**
LDC (Trinity Street) GP2 Limited (07789279)**
LDC (Trinity Street) GP3 Limited (04540101)**
LDC (Trinity Street) GP4 Limited (07434135)**
LDC (Trinity Street) Limited Partnership
LDC (Trinity Street) Management Limited Partnership
LDC (Tower Hamlets) Limited (06[illegible])**
LDC (Ventures) Limited (04446781)**
LDC (Vernon Square) Limited (05444130)**
LDC (William Morris) Limited (05[illegible])
LDC Capital Cities Two (GP) Limited (08799742)
USAV (Aldgate Street) GP3 Limited (06445537)**
USAV (Aldgate Street) GP4 Limited (06469291)**
USAV (Aston Student Village) GP3 Limited (10478217) (51.00%)
USAV (Aston Student Village) GP4 Limited (10495484) (50.00%)
USAV (Stratford) GP3 Limited (05451654)
USAV (Stratford) GP4 Limited (06871479)
USAV (Wembley) GP3 Limited (06729127)
USAV (Wembley) GP4 Limited (06705435)
USAV (Wembley) Student Village Limited (08490230)
USAV (Stapleton) GP3 Limited (06616589)
USAV (Stapleton) GP4 Limited (06640019)
Studentnet Limited (04437102)
The UNITE Foundation
Unite Accommodation Management 16 Limited (07061514)**
Unite Accommodation Management 18 Limited (06328482)**
Unite Accommodation Management 19 Limited (08720501)
Unite Accommodation Management 2 Limited (05193662)**
Unite Accommodation Management 20 Limited (06791442)
Unite Accommodation Management 4 Limited (05073136)
Unite Accommodation Management 9 Limited (05100303)**
Unite Accommodation Management Limited (06190305)**
Unite Accommodation Management Operations Limited (07982080)
UNITE Capital Cities Holdings Limited (08801240)
UNITE Construction Angel Lane Limited (04917104)**
UNITE Construction (Property) Limited (09102426)**
UNITE Construction (Wembley) Limited (09101174)**
Unite Finance Limited (04313305)**
UNITE Finance One (Accommodation Services) Limited (04432437)**
UNITE Finance One Holdings Limited (04356207)**
UNITE Finance One (Property) Limited (04313331)**
UNITE FM Limited (06807560)**
UNITE For Success Limited (05[illegible])**
Unite Holdings Limited (03848468)**
UNITE Homes Limited (05440262)**
Unite Integrated Solutions plc (02497714)
Unite Modular Solutions Limited (05119259)**
Unite Rent Collection Limited (05969735)**
UNITE Student Living Limited (06204125)**
USAF GP No 1 Management Limited (07354683)
USAF GP Limited (05860874)**
USAF Management GP No 14 Limited (09150959)**
USAF Management GP No 15 Limited (09749246)
USAF Management GP No 16 Limited (09750468)
USAF Management GP No 17 Limited (09750469)
USAF Management 10 Limited (06714675)
USAF Management 11 Limited (07282782)
USAF Management 12 Limited (07365681)
USAF Management 14 Limited (09234205)
USAF Management 15 Limited (10219775)
USAF Management 5 Limited (06225945)
USAF Management 6 Limited (06187597)
USAF Management Limited (05362124)
LDC (Ferry Lane 2) GP1 Limited (07539438) (50.00%)
LDC (Ferry Lane 1) GP2 Limited (07359491) (50.00%)
LDC Ferry Lane 1 Limited Partnership (50.00%)
LDC (Ferry Lane 2) Management Limited Partnership (50.00%)
LDC (Stratford) GP Limited (06547[illegible]) (50.00%)

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Section 7: Company subsidiaries and joint ventures *continued*

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

LDC (Stratford) GP2 Limited (07547994) (50.00%)
LDC (Stratford) Limited Partnership (50.00%)
LSAV (Angel Lane) GP Limited (08593689) (50.00%)
LSAV (Angel Lane) GP2 Limited (08593692) (50.00%)
LSAV (Angel Lane) Limited Partnership (50.00%)
LSAV (Angel Lane) Management Limited Partnership (50.00%)
LSAV (Aston Student Village) GP Limited ([illegible]) (50.00%)
LSAV (Aston Student Village) GP2 Limited ([illegible]) (50.00%)
LSAV (Aston Student Village) Limited Partnership (50.00%)
LSAV (Aston Student Village) Management Limited Partnership (50.00%)
LSAV (Stapleton) Limited Partnership (50.00%)
LSAV (Stapleton) Management Limited Partnership (50.00%)
LSAV (Stratford) Management Limited Partnership (50.00%)
LSAV (Wembley) GP Limited ([illegible]) (50.00%)
LSAV (Wembley) GP2 Limited ([illegible]) (50.00%)
LSAV (Wembley) Limited Partnership (50.00%)
LSAV (Wembley) Management Limited Partnership (50.00%)
LSAV (Stapleton) GP1 Limited (08593675) (50.00%)
LSAV (Stapleton) GP2 Limited ([illegible]) (50.00%)
Unite Capital Cities Limited Partnership (50.00%)
Unite Capital Cities Two Limited Partnership (50.00%)
USAF Management No. 15 Limited Partnership (25.50%)
USAF Management No. 16 Limited Partnership (25.50%)
USAF Management No. 17 Limited Partnership (25.50%)
USAF No. 15 Limited Partnership (25.50%)
Filbert Village Student Accommodation Limited Partnership (25.20%)
USAF No. 1 Limited Partnership (25.20%)
USAF No. 10 Limited Partnership (25.20%)
USAF No. [illegible] Limited Partnership (25.20%)
USAF No. [illegible] Management Limited Partnership (25.30%)
USAF No. 2 Limited Partnership (25.20%)
USAF No. 3 Limited Partnership (25.30%)
USAF No. 4 Management Limited Partnership (25.20%)
USAF No. 18 Limited Partnership (25.30%)
USAF No. 6 Limited Partnership (25.30%)
USAF No. 5 Limited Partnership (25.30%)
LDC (Nairn Street) Limited Partnership (25.20%)
LDC (Nairn Street) Management Limited Partnership (25.20%)
Filbert Village GP Limited (16.90%)
LDC (Nairn Street) GP Limited (16.90%)
LDC (Nairn Street) GP2 Limited (16.90%)
USAF Finance II Limited (16.90%)
USAF GP No. 1 Limited ([illegible]) (16.90%)
USAF GP No. 10 Limited ([illegible]) (16.90%)
USAF GP No. 11 Limited ([illegible]) (16.90%)
USAF GP No. 12 Limited ([illegible]) (16.90%)
USAF GP No. 14 Limited ([illegible]) (16.90%)
USAF GP No. 15 Limited ([illegible]) (16.90%)
USAF GP No. 18 Limited ([illegible]) (16.90%)
USAF GP No. [illegible] Limited ([illegible]) (16.90%)
USAF GP No. 8 Limited ([illegible]) (16.90%)
USAF Holdings B Limited ([illegible]) (16.90%)
USAF Holdings C Limited ([illegible]) (16.90%)
USAF Holdings F Limited (07074623) (16.90%)
USAF Holdings G Limited ([illegible]) (16.90%)
USAF Holdings [illegible] Limited ([illegible]) (16.90%)
USAF Holdings [illegible] Limited ([illegible]) (16.90%)
USAF Holdings [illegible] Limited ([illegible]) (16.90%)
USAF Holdings [illegible] Limited ([illegible]) (16.90%)
USAF Nominee No. [illegible] Limited ([illegible]) (25.50%)
USAF Nominee No. 10 Limited ([illegible]) (25.50%)
USAF Nominee No. 10A Limited ([illegible]) (25.50%)
USAF Nominee No. 11 Limited ([illegible]) (25.50%)
USAF Nominee No. 11A Limited ([illegible]) (25.50%)
USAF Nominee No. 12 Limited ([illegible]) (25.50%)
USAF Nominee No. 12A Limited ([illegible]) (25.50%)
USAF Nominee No. 14 Limited ([illegible]) (25.50%)
USAF Nominee No. 14A Limited ([illegible]) (25.50%)
USAF Nominee No. 18 Limited ([illegible]) (25.50%)
USAF Nominee No. 18A Limited ([illegible]) (25.50%)
USAF Nominee No. [illegible]A Limited ([illegible]) (25.50%)
USAF Nominee No. 6 Limited ([illegible]) (25.50%)
USAF Nominee No. 6A Limited ([illegible]) (25.50%)
USAF Nominee No. 8 Limited ([illegible]) (25.50%)
USAF Nominee No. 8A Limited ([illegible]) (25.50%)
USAF PCC Limited ([illegible]) (16.90%)

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

LDC (Gt Suffolk St) Unit Trust
LDC (St Pancras Way) Unit Trust
LDC (Thurso Street) Unit Trust
LSAV (Jersey Manager) Limited
Unite (Capital Cities) Jersey Limited
Unite Jersey Issuer Limited*
USAF Jersey Investments Limited
USAF Jersey Manager Limited
LDC (Ferry Lane 2) Unit Trust (50.00%)
LDC (Stratford) Unit Trust (50.00%)
LSAV (Holdings) Limited (50.00%)
LSAV (Trustee) Limited (50.00%)
LSAV Unit Trust (50.00%)
LSAV (Aston Student Village) Unit Trust (50.00%)
UNITE Capital Cities Unit Trust (50.00%)
USAF Portfolio 18 Unit Trust (25.20%)
LDC (Nairn Street) Unit Trust (25.20%)
UNITE UK Student Accommodation Fund (16.9%)

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

USAF Feeder Guernsey Limited (45.20%)
USAF LP NRL Limited (25.5%)
USAF Portfolio 15 Unit Trust (25.50%)
USAF Portfolio 16 Unit Trust (25.50%)
USAF Portfolio 17 Unit Trust (25.50%)

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 (25.20%)

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

LSAV (GP) Limited (50.00%)
LSAV (Property Holdings) LP (50.00%)

* Held directly by the Company

** The company is exempt from the requirements of the Companies Act relating to the audit of individual financial statements by virtue of s479A for the financial year ended 31 December 2018

FINANCIAL RECORD

	2018	2017	2016	[illegible]	2014
EPRA NAV per share (pence)	**790**	720	646	579	434
IFRS NAV per share (pence)	**787**	717	653	574	416
EPRA net assets (£m)	**2,085**	1,740	1,557	1,394	881
IFRS net assets (£m)	**2,073**	1,729	1,452	1,275	843
Managed portfolio value (£m)	**4,994**	4,612	4,327	3,827	2,951
LTV (%)	**29%**	31%	34%	35%	43%
EPRA earnings (£m)	**88**	71	61	50	33
Profit before tax (£m)	**246**	229	201	388	108
EPRA earnings per share (pence)	**34**	30	28	29	17
Adjusted EPRA earnings per share (pence)	**34**	30	28	23	17
IFRS earnings per share (pence)	**91**	95	101	164	53

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of The Unite Group plc (the Company) will be held at the Company's registered office at South Quay, Temple Back, Bristol BS1 6FL at 9.30 a.m. on 9 May 2019 for the purpose of considering and, if thought fit, passing Resolutions 1 to 15 as ordinary resolutions and Resolutions 16 to 18 as special resolutions.

Ordinary resolutions

Annual Report and Accounts

1. To receive the audited annual accounts of the Company for the year ended 31 December 2018 together with the Directors' report, the strategic report and the auditor's report on those annual accounts (the Annual Report and Accounts).

Directors Remuneration Policy

2. To approve the Directors' Remuneration Policy (set out on pages 79 to 85 in the Annual Report and Accounts).

Annual Report on Remuneration

3. To approve the Directors' Remuneration Report (set out on pages 86 to 95 in the Annual Report and Accounts).

Final dividend

4. To declare a final dividend for the year ended 31 December 2018 of 19.5p per ordinary share payable on 17 May 2019 to shareholders on the register of members of the Company at the close of business on 12 April 2019.

Re-election of Directors

5. To re-elect Mr Phil White as a Director of the Company.
6. To re-elect Mr Richard Smith as a Director of the Company.
7. To re-elect Mr Joe Lister as a Director of the Company.
8. To re-elect Sir Tim Wilson as a Director of the Company.
9. To re-elect Ms Elizabeth McMeikan as a Director of the Company.
10. To re-elect Mr Ross Paterson as a Director of the Company.
11. To elect Mr Richard Akers as a Director of the Company.
12. To elect Mrs Ilaria del Beato as a Director of the Company.

Auditors

13. To reappoint Deloitte LLP as auditor of the Company to hold office until the conclusion of the next General Meeting at which accounts are laid before the Company.
14. To authorise the Directors to determine the remuneration of the auditor.

Authority to allot shares

15. THAT in substitution for any equivalent authorities and powers granted to the Directors prior to the passing of this Resolution, the Directors be and are generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the Act):

    (a) to exercise all powers of the Company to allot shares in the Company, and grant rights to subscribe for or to convert any security into shares of the Company (such shares, and rights to subscribe for or to convert any security into shares of the Company being "relevant securities"), up to an aggregate nominal amount of £21,961,391 (representing approximately one-third of the nominal value of the issued ordinary share capital of the Company as at the date of this notice), such amount to be reduced by the nominal amount of any allotments or grants made under paragraph (b) below in excess of £21,961,391;

    (b) to allot equity securities (as defined in Section 560(1) of the Act) up to an aggregate nominal amount of £43,922,782 (representing approximately two-thirds of the nominal value of the issued ordinary share capital of the Company as at the date of this notice) (such amount to be reduced by the nominal amount of any allotments or grants made under paragraph (a) above) in connection with an offer by way of rights issue:

        (i) in favour of holders of ordinary shares in the capital of the Company at such record date as the directors may determine, where the equity securities respectively attributable to the interests of such holders are proportionate (as nearly as practicable) to the respective number of ordinary shares in the capital of the Company held by them on any such record date.

        (ii) to holders of any other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

    in each case subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with in relation to treasury shares, fractional entitlements or legal, regulatory or practical problems arising under the laws or requirements of any overseas territory or by virtue of shares being represented by depository receipts or the requirements of any relevant regulatory body or stock exchange or any other matter whatsoever, provided that this authority shall expire (unless previously renewed, varied, extended or revoked by the Company in general meeting) on the date falling 15 months from the passing of this Resolution or, if earlier, at the conclusion of the next Annual General Meeting of the Company to be held following the passing of this Resolution, save that the Company may at any time before such expiry make an offer or enter into an agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to such offer or agreement as if this authority had not expired.

Special resolutions

Authority to disapply pre-emption rights

16. That if Resolution 15 (Authority to allot shares) is passed, the Board be authorised pursuant to section 570 and section 573 of the Companies Act 2006 to allot equity securities (as defined in the Companies Act 2006) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561(1) of the Companies Act 2006 did not apply to any such allotment or sale, such authority to be limited:

 (a) To the allotment of equity securities or sale of treasury shares in connection with an offer of securities (but in the case of the authority granted under paragraph (b) of Resolution 15 by way of rights issue only) in favour of holders of ordinary shares in the capital of the Company at such record date as the Directors may determine and other persons entitled to participate therein where the equity securities respectively attributable to the interests of such holders are proportionate (as nearly practicable) to the respective number of ordinary shares in the capital of the Company held by them on any such record date, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with in relation to treasury shares, fractional entitlements or legal, regulatory or practical problems arising under the laws or requirements of any overseas territory or by virtue of shares being represented by depository receipts or the requirements of any relevant regulatory body or stock exchange or any other matter whatsoever; and

 (b) To the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (a) above) up to a nominal amount of £3,294,208 (this amount representing not more than 5 per cent of the nominal value of the issued ordinary share capital of the Company as at the date of this notice)

 such authority to expire at the end of the next Annual General Meeting of the Company (or, if earlier, at the close of business on 8 August 2020, this being the date which is fifteen months after the date of this meeting) but, in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Board may allot equity securities (and sell treasury shares) pursuant to any such offer or agreement as if the authority had not expired.

17. That if Resolution 15 (Authority to allot shares) is passed, the Board be authorised pursuant to section 570 and section 573 of the Companies Act 2006 in addition to any authority granted under Resolution 16 to allot equity securities (as defined in the Companies Act 2006) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561(1) of the Companies Act 2006 did not apply to any such allotment or sale, such authority to be:

 (a) limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £3,294,208 (this amount representing not more than 5 per cent of the nominal value of the issued ordinary share capital of the Company as at the date of this notice); and

 (b) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Board of the Company determines to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice

 such authority to expire at the end of the next Annual General Meeting of the Company (or, if earlier, at the close of business on 8 August 2020, this being the date which is fifteen months after the date of this meeting) but, in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Board may allot equity securities (and sell treasury shares) pursuant to any such offer or agreement as if the authority had not expired.

Notice of General Meetings

18. That a general meeting other than an Annual General Meeting, may be called on not less than 14 clear days' notice.

By order of the Board

Christopher Szpojnarowicz
Company Secretary
27 February 2019

Registered office:
South Quay House, Temple Back, Bristol BS1 6FL

Registered in England and Wales with registered number 03199160

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

Notes

1. A member of the Company who wishes to attend the meeting in person should arrive at South Quay, Temple Back, Bristol BS1 6FL in good time before the meeting which will commence at 9.30 a.m. In order to gain admittance to the meeting, members may be required to produce their attendance card, which is attached to the form of proxy enclosed with this document, or otherwise prove their identity.

2. A member of the Company who is entitled to attend, speak and vote at the meeting and who is unable or does not wish to attend the meeting is entitled to appoint a proxy to exercise all or any of his/her rights to attend and to speak and vote on his/her behalf at the meeting. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares (so a member must have more than one share to be able to appoint more than one proxy). A proxy need not be a member of the Company but must attend the meeting to represent his/her appointing member. Appointing a proxy will not prevent a member from attending in person and voting at the meeting although voting in person at the meeting will terminate a member's proxy appointment. A proxy must vote in accordance with any instructions given by the member by whom the proxy is appointed. A form of proxy which may be used to make such appointment and give proxy instructions accompanies this notice. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

3. To be valid, any form of proxy and the original or duly certified copy of the power of attorney or other authority (if any) under which it is signed or authenticated, must be received by hand or by post at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, no later than 9.30 a.m. on 7 May 2019.

4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by following the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

5. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (Euroclear) specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy, the revocation of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (CREST ID 3RA50) by the latest time for receipt of proxy appointments specified in note 3 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

6. CREST members and, where applicable, their CREST sponsors or voting service providers, should note that Euroclear does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his/ her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

7. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended).

8. If you would like to submit your proxy vote via the internet, you can do so by accessing our registrar's website (www.eproxyappointment.com). You will require the control number, your unique PIN (which will expire at the end of the voting period) and your Shareholder Reference Number (SRN) printed on the proxy card, in order to log in and submit your proxy vote electronically. You can access this site from any internet enabled PC. If you submit your proxy via the internet it should reach the registrar by 9.30 a.m. on 7 May 2019. Should you complete your proxy form electronically and then post a hard copy, the form that arrives last will be counted to the exclusion of instructions received earlier, whether electronic or posted. Please refer to the terms and conditions of the service on the website.

9. In the case of joint holders of shares, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

10. If you submit more than one valid proxy appointment in respect of the same shares, the appointment received last before the latest time for the receipt of proxies will take precedence.

11. Any person to whom this notice has been sent who is a person nominated under section 146 of the Act to enjoy information rights (a Nominated Person) may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

12. The statement of the rights of shareholders in relation to the appointment of proxies above does not apply to Nominated Persons. These rights can only be exercised by shareholders of the Company.

13. Pursuant to Part 13 of the Companies Act 2006 and Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), the Company specifies that only those shareholders registered in the register of members of the Company at 5.00 p.m. on 7 May 2019 (or, if the meeting is adjourned, 48 hours before the timed fixed for the adjourned meeting) shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. In each case, changes to the register of members of the Company after such time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

14. As at the date of this notice the Company's issued share capital comprised 263,536,692 ordinary shares carrying one vote each at a general meeting of the Company. No ordinary shares were held in treasury and therefore the total voting rights in the Company as at the date of this notice are 263,536,692.

15. You may not use any electronic address provided either in this notice of meeting or any related documents (including the proxy form) to communicate with the Company for any purposes other than those expressly stated.

16. Members attending the meeting have the right to ask and, subject to the provisions of the Act, the Company must cause to be answered any questions relating to the business being dealt with at the meeting.

17. The following information is available at www.unite-group.co.uk

(1) the matters set out in this notice of Annual General Meeting;

(2) the total numbers of shares in the Company in respect of which members are entitled to exercise voting rights at the meeting;

(3) the totals of the voting rights that members are entitled to exercise at the meeting; and

(4) members' statements, members' resolutions and members' matters of business received by the Company after the date on which notice of the meeting was given.

18. It is possible that, pursuant to requests made by members of the Company under Section 527 of the Act, the Company may be required to publish on a website a statement setting out any matter relating to: (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting; or (b) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Act. The Company may not require the members requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under Section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under Section 527 of the Act to publish on a website.

19. In accordance with Section 338 of the Act, a member or members of the Company may (provided that the criteria set out in Section 338(3) of the Act are met) require the Company to give to members notice of a resolution which may properly be moved and is intended to be moved at the meeting, provided that: (a) the resolution must not be, if passed, ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise); and (b) the resolution must not be defamatory of any person, frivolous or vexatious. Such a request may be in hard copy form or in electronic form, must be authenticated by the person or persons making it, must identify the resolution of which notice is to be given and must be received by the Company not later than six weeks before the meeting, or, if later, the time at which notice is given of the meeting. (In the foregoing sentence, the terms 'hard copy form', 'electronic form' and 'authenticated' bear their respective meanings set out in the Act in relation to a communication, or a document or information sent or supplied, to a company.)

20. In accordance with Section 338A of the Act, a member or members of the Company may (provided that the criteria set out in Section 338A (3) of the Act are met) require the Company to include in the business to be dealt with at the meeting a matter (other than a proposed resolution) which may properly be included in the business of the meeting, provided that the matter is not defamatory of any person, frivolous or vexatious. A request may be in hard copy form or electronic form, must identify the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person or persons making it and must be received by the Company not later than six weeks before the meeting, or, if later, the time at which notice is given of the AGM. (In the foregoing sentence, the terms 'hard copy form', 'electronic form' and 'authenticated' bear the respective meanings set out in the Act in relation to a communication, or a document or information sent or supplied, to a company.)

21. A member that is a company or other organisation not having a physical presence cannot attend in person but can appoint someone to represent it. This can be done in one of two ways: either by the appointment of a proxy (as described in the notes above) or of a corporate representative. Members considering the appointment of a corporate representative should check their own legal position, the Company's articles of association and the relevant provisions of the Act.

22. The following documents are available for inspection at the registered office of the Company during the usual business hours on any weekday (Saturday, Sunday or public holidays excluded) from the date of this notice until the conclusion of the meeting and will also be available for inspection at the place of the meeting from 9.15 a.m. on the day of the meeting until its conclusion:

(a) copies of the Executive Directors' service contracts with the Company and any of its subsidiary undertakings; and (b) letters of appointment of the Non-Executive Directors.

GLOSSARY

Adjusted EPRA earnings
Adjusted EPRA earnings are prepared on the basis of EPRA earnings excluding the yield related element of the USAF performance fee

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

Adjusted net debt
The Group's debt, net of cash and unamortised debt raising costs, excluding the mark to market of interest rates swaps.

Adjusted gearing
The adjusted net debt as a percentage of the value of Unite properties

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

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

EBITDA
The Group's EPRA earnings before charging interest, tax, depreciation and amortisation. The profit number is used to calculate the ratio to net debt

EPRA earnings
EPRA earnings are prepared on the basis recommended for real estate companies by EPRA, the European Public Real Estate Association. This excludes movements relating to changes in values of investment properties and interest rate swaps and the related tax effects.

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

EPRA NAV
EPRA NAV is prepared on the basis recommended for real estate companies by EPRA, the European Public Real Estate Association. This includes all property at market value but excludes the mark to market of interest rate swaps. This is recommended by EPRA as a measure of net assets.

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

EPRA NNNAV
As EPRA NAV but includes both debt and interest rate swaps carried at market value. This is recommended by EPRA as a 'spot' fair value net asset measure.

Financing costs
Gross financing costs net of interest capitalised into developments and interest received on deposits.

Gross asset value
The Group's wholly owned property portfolio together with the share of the Joint Ventures property portfolio.

Gross financing costs
This includes all interest paid by the Group, including those capitalised into developments and operating lease rentals.

It includes all receipts and payments under interest rate swaps whether they are effective or ineffective under IFRS as economically they all hedge interest rate exposures.

Interest cover ratio (ICR)
The interest cover ratio is the income generated by a property as a multiple of the interest charge on the debt secured on the property.

Lease
Properties which are leased to universities for a number of years and have no Unite management presence.

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

Loan to value (LTV)
The Loan to value (LTV) ratio is the debt on properties as a proportion of the carrying value of the total property portfolio. This ratio is calculated on the basis of EPRA net assets.

LSAV
The London Student Accommodation Joint Venture (LSAV) is a joint venture between Unite and GIC. Both Unite and GIC have a 50% stake and LSAV has a maturity date of September 2022.

Net debt
The Group debt, net of cash and unamortised debt raising costs on the basis of EPRA net assets.

Net debt: EBITDA
The Group debt, net of cash and unamortised debt raising costs and excluding mark to market of interest rate swaps as a proportion of EBITDA.

Net initial yield (NIY or yield)
The net operating income generated by a property expressed as a percentage of its value, taking into account notional acquisition costs

Net operating income (NOI)
The rental income from rental properties less those operating costs directly related to the property, therefore excluding central overhead.

Net rental growth
The annual growth in net operating income (measured on a like-for-like basis, i.e excluding impact of completion and disposals)

Nominations
Properties where Universities have entered into a contract to guarantee occupancy. The Universities nominate students to live in the building and Unite enters into short-hold tenancies with the students.

Non-core assets
Properties that do not fit with the Group's long-term investment strategy because of their location or their size.

Overhead efficiency
The Group's overhead efficiency measure shows operating expenses, net of management fees as a proportion of the total property portfolio

Rental properties
Investment and completed properties whose construction has been completed and are used by the Operations segment to generate net portfolio contribution.

Sale and leaseback
Properties that have been sold to a third party investor then leased back to the Company. Unite is also responsible for the management of these assets on behalf of the owner.

Total accounting return
This is the growth in EPRA NAV per share plus dividends paid, and this is expressed as a percentage of EPRA NAV per share at the beginning of the period.

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

COMPANY INFORMATION

Unite Group
Executive Team

Richard Smith
Chief Executive Officer

Joe Lister
Chief Financial Officer

Registered Office
South Quay House, Temple Back, Bristol BS1 6FL

Registered Number in England
03199160

Company Secretary
Christopher Szpojnarowicz

Auditor
Deloitte LLP
1 New Street Square, London EC4A 3HQ

Financial Advisers
J.P. Morgan Cazenove
25 Bank Street, London E14 5JP

Numis Securities
The London Stock Exchange Building
10 Paternoster Square, London EC4M 7LT

Registrars
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PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH

Financial PR Consultants
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THIS REPORT IS COMPLEMENTED BY A RANGE OF ONLINE INFORMATION ABOUT OUR BUSINESS INCLUDING OUR OPERATIONS AND PROPERTY DIVISIONS, OUR MARKETS, AND OUR APPROACH TO BEING A RESPONSIBLE BUSINESS.

Find out more online at www.unite-group.co.uk

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