Parent company accounts of
3373096 - LDC (Smithfield) Ltd

UNITE
STUDENTS

HOME FOR SUCCESS

The Unite Group PLC
Annual report and
accounts 2017

HOME FOR SUCCESS

OUR PURPOSE

Creating a Home for Success for our students is what drives us. Creating the best home for all students, helping them grow and succeed at University and beyond.

We deliver this through having quality people, quality service and quality properties, and behaving in line with our values.

Quality homes

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

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

For all students...

***We understand not everyone is the same and University experience is* unique. We create an environment where everyone can be at home and make the choices that are right for them. Social integration is a key focus of our property and service design.**

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 young people who have been in care or are estranged from their families.

Helping them grow and succeed...

University is where young people build the foundation of the future they want. 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 believe employability is important and *work to provide our students with the tools for a successful future. 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 adults, ready for life after University. We regularly measure how well we are meeting student needs through customer surveys and focus groups.

OUR VALUES

Work together

Be better

Do what's right

See it through

Have fun

→ Read more about ***Our values p08 and 09***

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OUR BUSINESS AT A GLANCE

BUILDING QUALITY NATIONWIDE

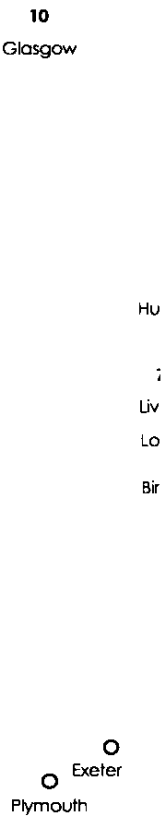
Our investment strategy

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

→ Read more about **investment strategy on p04**

Our top ten cities

2017 rank	City	Completed beds (17/18)	Full-time student numbers (16/17)	Market share
1.	London	9,541	293,620	3.20%
2.	Birmingham	4,846	59,920	8.10%
3.	Sheffield	4,168	51,080	8.20%
4.	Bristol	3,479	43,050	8.10%
5.	Leeds	3,458	53,885	6.40%
6.	Liverpool	3,015	48,545	6.20%
7.	Manchester	2,336	65,880	3.50%
8.	Portsmouth	2,222	19,665	11.30%
9.	Leicester	1,687	34,365	4.90%
10	Glasgow	1,633	57,890	2.80%
	Total	36,385	727,900	4.90%
	Proportion of Unite portfolio	73%		



New openings

2017

2,152

new beds

Salisbury Court, Edinburgh (Wholly owned)
581 beds

Millennium View, Coventry (Wholly owned)
391 beds

St Luke's View, Liverpool (Wholly owned)
776 beds

Beech House, Oxford (USAF)
167 beds

The Old Printworks, Edinburgh (Wholly owned)
237 beds

Our property pipeline

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, Sheffield (Wholly owned)
598 beds

International House, Birmingham (Wholly owned)
586 beds

Old Hospital, Durham (USAF)
363 beds

Houghall College, Durham (USAF)
222 beds

85%

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

What makes us different

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

→ Read more about **what makes us different on p06**

Environmental, social impact and governance

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

→ Read more on **environment, social impact and governance on p46**

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.*

→ Read more about **values and culture on p08 and p09**

2019

2,390

new beds

Skelhorne, Liverpool (Wholly owned)
1,085 beds

Cowley, Oxford (Wholly owned)
887 beds

Battery Park (USAF)
418 beds

2020

2,973

new beds

Constitution Street, Aberdeen (Wholly owned)
600 beds

Tower North, Leeds (Wholly owned)
1,019 beds

New Wakefield Street, Manchester (Wholly owned)
603 beds

Old BRI, Bristol (Wholly owned)
751 beds

2021

1,000

new beds

Middlesex Street, London (Wholly owned)
1,000 beds

→ Read more in our **property review on p36**

OPERATIONAL AND FINANCIAL HIGHLIGHTS

Highlights

- Strong financial position
- Earnings growth underpinned by nominations agreements and development pipeline
- Record level of reservations for 18/19 academic year supports rental growth outlook
- Significant progress with University partnerships

Earnings per share[1,2]
pence
30p

Dividend per share
pence
22.7p

Total accounting return*
%
14%

Profit before tax
£m
£229m

Net asset value[1]
pence per share
720p

Loan-to-value ratio*
%
31%

1 The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). These financial highlights are based on the European Public Real Estate Association (EPRA) best practice recommendations and these performance measures are published as they are intended to help users in the comparability of these results across other listed real estate companies in Europe. The metrics are also used internally to measure and manage the business and align to the performance related conditions for Directors' remuneration.*

2 2015 and 2016 EPS is based on an adjusted EPRA earnings. A full reconciliation of the financial statements to the EPRA performance measures is set out in note 2.2 of the financial statements.

* A full glossary of definitions is available on p160.

Strategic report

MARKET DRIVERS

DEMAND FOR UK HIGHER EDUCATION REMAINS STRONG

Student numbers continue to outstrip accommodation supply.

With more young people choosing to continue their education and investment in themselves, there has been a 35-year period of growing student numbers throughout the country. Today there are more than 1.8 million students studying in the UK.

Most UK Universities offer an accommodation guarantee for first year and international students, but even this is a challenge with current beds available. UK Higher Education institutions have c.300,000 beds available, with a further 280,000 provided by the private sector.

Demand for student accommodation significantly outstrips supply. Many Universities have responded to this by partnering with private accommodation providers, most notably through nominations agreements under which they make up their accommodation shortfall by reserving rooms in return for a guaranteed rent.

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.

Applications and acceptances (thousands)

International student mobility*

PBSA beds (thousands)

There has been some speculation that changes in national demographics, combined with rising tuition fees and the UK's decision to leave the EU, could lead to a decline in student numbers and, by implication, a reduction in demand for accommodation.

However, data from the Universities and Colleges Admission Service (UCAS) shows that applications for 2018 from the EU rose by 3.4% and those from international students rose by 11.1%, to a record level. The combination of robust EU and international demand, growth in post-graduates and more 18-year-olds going to University has ensured that UK higher education remains a thriving, vibrant sector.

Most significantly, the number of students choosing mid- and higher-tariff Universities, where Unite's business is concentrated, increased while the numbers at lower-tariff institutions fell by 3 per cent in 2017. As a result, in most cities where we operate, there remains a substantial shortage of student accommodation.

A number of factors are likely to further underpin this demand in the future. Higher costs lead to a growing focus on the relative value that different Universities offer. Driving greater transparency and accountability will, for example, be a key priority for the newly established Office for Students, as under the government's new Teaching Excellence Framework, in June 2017 Universities in England and Wales were ranked for the first time according to the quality of their teaching.

These developments are likely to bring an even greater level of scrutiny among applicants. Against this backdrop, Universities increasingly consider their accommodation guarantee as a key point of competitive differentiation. It is a core element of providing support and welfare to students as it is where they spend more than half their time while at University. Some are looking to extend it to second and third year and all international students.

In many cases, they are increasingly looking at established accommodation providers as long-term partners with, for example, extended nominations agreements or strategic partnerships involving their own student housing estate.

In parallel with these developments, changes beyond the world of higher education are also having an impact on student accommodation. The combination of an uncertain macro-economic climate, low interest rates and dramatic changes in the world of retail has brought uncertainty to the UK's wider property sector. In some cases, this has created opportunities for providers of purpose-built student accommodation (PBSA), such as Unite, to expand in locations like London where the property boom of recent years has made investing economically challenging. The success of PBSA, meanwhile, has attracted significant new investment to the sector and, in some cities, increased competition. Our continued investment in our portfolio, ensuring we have the right properties, in the right places, and aligned with high quality Universities, means we are well-placed for growth.

Full time student numbers (millions)

Demand for accommodation (%)

Unique applicants by high, medium and low UCAS Tariff (thousands)

Strategic report

BUSINESS MODEL AND STRATEGY

In a competitive and changing market, Unite's business model and future strategy are focused on leveraging a unique combination of assets and capabilities to provide homes for students in the locations where they are most *needed. We call this combination Home for Success. It aims* to drive advocacy among both students and our University partners, as well as long term earnings and capital growth for our shareholders.

Thanks to our long experience in the student accommodation market, Unite has unrivalled understanding of what matters most to students. We use this insight to deliver buildings and services focused on their needs. Our understanding of student preferences represents an important competitive advantage, continually refreshed by investing in new research into different aspects of student living.

Since opening our first building in 1991, Unite has built the UK's largest portfolio of student accommodation. We continuously work to align this portfolio with mid- and upper-tier Universities, where demand for higher education is greatest. Over 85 per cent of our buildings are currently aligned with such institutions.

A strong balance sheet, together with our investment in the Unite Student Accommodation Fund (USAF) and the London Student Accommodation Joint Venture (LSAV) give the company a flexible range of options for funding development, investment and future-funded property acquisitions.

We constantly review opportunities to enhance both the size and quality of our property portfolio. In 2017, for example, the company made acquisitions totalling *3,500 new beds in strategically important* cities, while disposing of 4,800 beds in less attractive locations.

We will continue to exploit our understanding of the market and flexible capital structure to continue growing the size and quality of our portfolio in cities where the demand for PBSA is greatest.

Quality properties

Our buildings are located close to University campuses and designed around the priorities of mainstream students. The majority of our buildings, for example, are arranged in the preferred format of clusters of en-suite bedrooms with shared kitchens and living areas. Importantly, all our buildings also have common recreational and study spaces where students can socialise and work.

Our future strategy involves using our insight to continue improving the design and specification of our properties to make sure they keep in step with changing student priorities.

→ Read more about **Our properties on p36**

Quality people

We aim to create an environment that is supportive but allows students the independence they want. For example, all our people receive training in customer service and active listening and work closely with Universities to ensure help is on hand if needed. We are, in addition, currently rolling out a programme of Student Ambassadors to provide additional peer-to-peer support for our residents. We are proud to be a Living Wage employer, and retain our investors in People Gold accreditation.

Quality service platform

By combining our student insight with sustained investment in back *office systems, value-added services* and our 1,400 employees, we have created a scalable operating platform that drives operational efficiency, ensures consistency and enhances our customers' experience.

Our rents include all household bills, contents insurance and high speed Wi-Fi. Digitalising routine tasks such as room bookings and payments has made key administrative processes simpler and easier for students while simultaneously driving down costs. New app-based services allow *students to meet their flatmates online* before arriving at University and to quickly report any issues once checked in.

We will continue to differentiate our student proposition and brand by investing in value-added services for students. We are, in particular, continuously considering how we can *further exploit our digital capability to* make the vital transition to University as smooth as possible and make students' day-to-day lives easier.

→ Read more about **Our service platform and people on p08 and p32**

In the cities where we operate, we aim to be the partner of choice for Universities seeking to optimise their accommodation strategy.

Quality University partnerships

Our annual survey of University decision-makers shows that our investment in relationships has driven our reputation *within the sector to a record high.* As a result, 60 per cent of our accommodation is currently allocated to students under University nominations agreements. We are working to increase the maturity profile of these agreements and, in the process, underpin sustainable earnings growth. Nearly 70 per cent of our nominated beds are now covered by multi-year contracted *agreements with occupancy and rental* growth commitments.

As Universities work to underwrite their long-term accommodation requirements, we are increasingly focused on identifying opportunities for deeper partnerships involving either the transfer of existing assets or new developments built explicitly based on a University's commitment to a long-term nominations agreement.

→ Read also about **Quality University partnerships on p10**

Through the combination of the UK's best portfolio of student accommodation, the best service platform and the strongest University relationships, Unite aims to reinforce its position as the strongest brand in the PBSA sector. We aim to outperform our competitors and generate sustainable long-term earnings growth coupled to capital appreciation, driving superior *total returns for our shareholders.*

→ Read more about **Sustainability on p48**

→ Read more about **Relationships on p06**

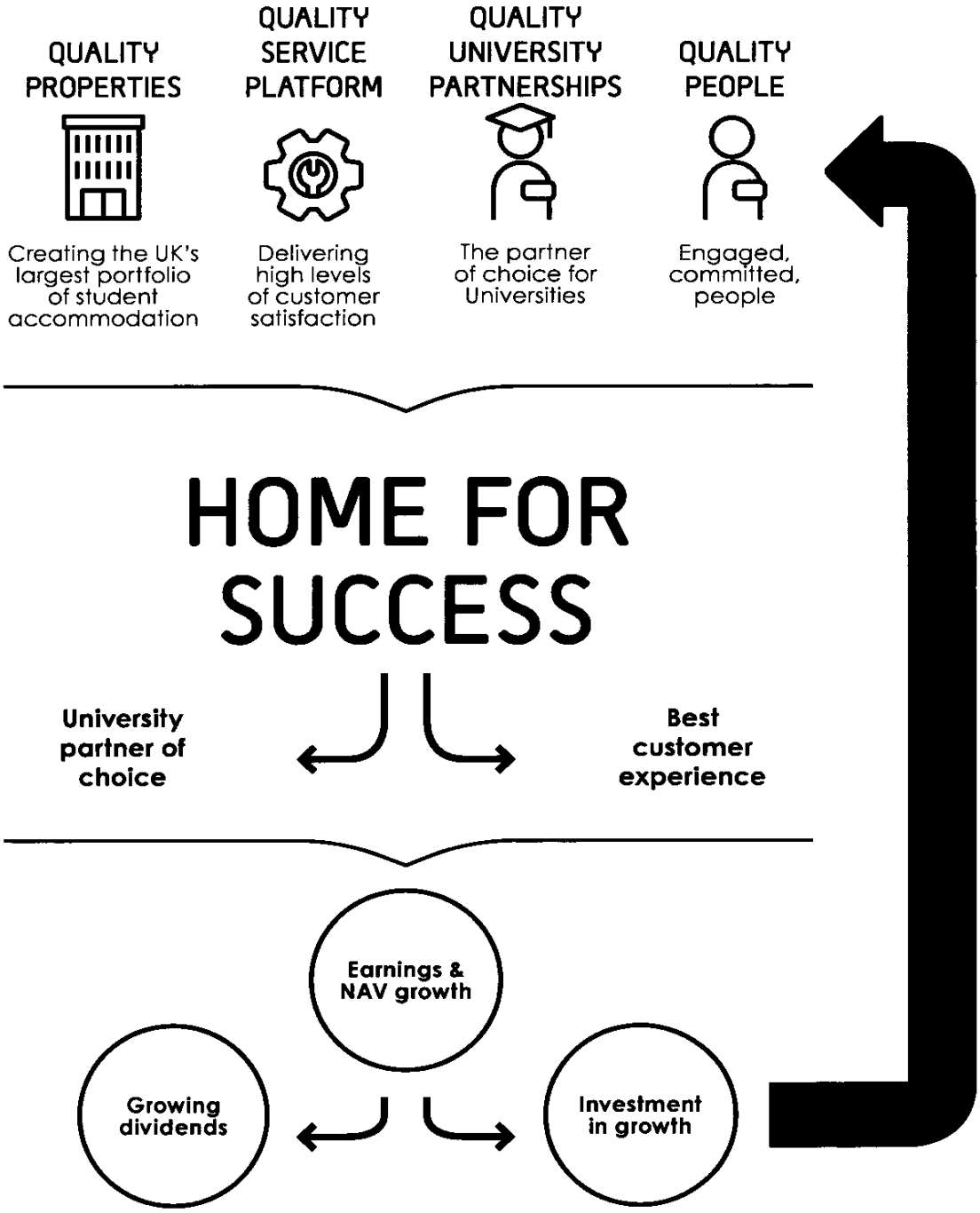
→ Read more about **Principal risks and uncertainties on p24**

→ Read more about **Operations review on p32**

→ Read more about **Property review on p36**

→ Read more about **Up to uS on p48**

→ *Read more about* **Financial review on p42**


QUALITY PROPERTIES
Creating the UK's largest portfolio of student accommodation
QUALITY SERVICE PLATFORM
Delivering high levels of customer satisfaction
QUALITY UNIVERSITY PARTNERSHIPS
The partner of choice for Universities
QUALITY PEOPLE
Engaged, committed, people
HOME FOR SUCCESS
University partner of choice
Best customer experience
Earnings & NAV growth
Growing dividends
Investment in growth

Strategic report

UNDERSTANDING OUR STAKEHOLDERS

SHAPING STRATEGY THROUGH ENGAGEMENT

	Investors	Universities	Students
Why it's important to engage	We seek to provide balanced, clear and transparent communications that allow investors to better understand our business and our strategy, and how we deliver long-term shareholder value through earnings and capital growth.	We aim to be the partner of choice to mid and high-ranking Universities. It is important Universities understand how our Home for Success purpose aligns with their own ambitions for their students. Quality properties, in great locations with great service are an asset to Universities and can make their offer more attractive.	Creating a Home for Success for our students is our purpose. We engage with the students who live with us every day. Students need to know we understand their needs, and that our unique insight is being leveraged to provide them with a living environment that helps them get the best out of their time at University.
Stakeholder interests	We hold regular meetings, Capital Markets Days, results briefings and trading updates with institutional shareholders, equity analysts and investors. All reports and presentations are available on our website.	Universities trust us to provide a safe and secure home for students – a key element of students' experience at University, supporting personal and academic achievement. Through the Unite Foundation we work with 28 Universities to provide scholarships for a safe and secure home for 170 students. Working together, we can create better futures for our students.	Our unique insight allows us to deliver products and services our students need. Our My Unite app helps students connect to flatmates and services such as laundry. With all-inclusive bills and 24/7 maintenance and support services, we help our students focus on their studies. We want them to feel at home with us. We also strive to do what is right by supporting the Unite Foundation, which provides accommodation scholarships to young people who have been in care or are estranged from their families.
Relevance to the business model and strategy	Investors are a key source of efficient capital, enabling the business to invest and grow.	We continue to grow the proportion of beds let through long-term nominations agreements with Universities, underpinning security of earnings.	We strive for the best customer experience for our students, delivered by having the best people, the best service and the best properties.
	→ Read more about **Investors on p59**	→ Read more about **Universities on p11**	→ Read more about **Students on p03**

Employees

Our people are the heart of our student proposition and engagement with all our stakeholders. From our emergency contact centre on hand 24/7 in times of crisis and for lockouts, to our student ambassadors there to help students settle in to their new home, together we deliver a Home for Success.

Our values guide us to deliver a strong internal culture focused on high performance, operational efficiency and engagement. We strive to be a responsible and attractive employer, proud of our high retention rates and career development. We are committed to fostering a diverse and inclusive workforce. We are a Living Wage employer and hold Investors in People Gold status.

Our people are the key to our service-focused business, delivering for both our customers and our University partners. Employing and training the best people enables us to provide great customer service and operational efficiency.

→ Read more about **Employees on p09**

Communities

We operate in 24 cities across the UK, providing a home for around 50,000 students. Providing a home for our students means playing a part in the local community, whether that's through being responsible neighbours or giving something back through volunteering and charity work. We also engage with local communities around the planning and building of new properties.

We support those who need it, whether that be raising £272,000 for the British Heart Foundation, or through employee volunteering on away days. We pioneer new ways to work with non-profit and charity partners to build stronger local relationships. We consider community needs in the development of new buildings, for example by prohibiting cars on site or adding retail facilities to a planning proposal.

We work hard to grow and develop local relationships, ensuring our students and employees have a positive impact on communities in which we operate.

→ Read more about **Communities on p51**

Suppliers

Unite Students utilises technology and supplier relationships to be at the forefront of our sector. With the right third parties in place, we can deliver quality properties and service, while driving efficiency.

A rigorous tender process ensures our partners share our corporate commitment to excellence, innovation and responsible business practices. We take a leading role in industry developments.

Working with the right partners ensures we are able to drive efficiencies and improve margins, from both an operational and development perspective while delivering consistently high quality and innovation.

→ Read more about **Suppliers on p48**

QUALITY PEOPLE

We followed this up in October with 26 roadshows across the country, involving over 1,000 employees to discuss with them how we continue to make Home for Success a reality for all of our students.

Investing in our people
Investment in the training and development of our people is crucial to our success. We retain our Investor in People Gold accreditation, and are proud to be a Living Wage employer.

We continue to invest in leadership development, primarily through our Becoming a Supervisor and Becoming a Manager programmes.

This year, our focus has been on customer service training. Service Style, new for 2017, has been designed to help all employees to think about the little things they can do every day to make life better for our students and each other. It focuses on what we notice when we're dealing with other people and how we act on it.

It's a critical element of Home for Success, and aims to ensure we are focused on our customers and their needs.

ASV acquisition
This year Unite acquired Aston Student Village in Central Birmingham, our largest acquisition, comprising 3,067 beds across five large detached properties located on Aston University's campus.

The integration of such a large property presented a significant operational challenge. 56 University staff joined Unite as part of the acquisition. They successfully completed rigorous training in our brand, values and operating standards to ensure a seamless handover of the property and the best possible experience for our students.

Office move
In March 2017 Unite moved to South Quay House in central Bristol.

We carefully examined how other organisations utilise their working space, including Philips, IKEA and the Environment Agency, and how they're more effectively using their office space, with agile working spaces. We designed our new space to help employees work more flexibly and collaboratively. Agile working supports the health and wellbeing of our employees, making our new office space a great place to work.

Our continued commitment to our people is key to who we are and helps us to deliver Home for Success.

26

Employee roadshows to make Home for Success a reality for our students

→ Read more about **Home for Success on p05**

Our people make Home for Success a reality for our students and University partners. They make Unite a great place to work and an unmatched provider of student accommodation.

Our service and commitment to students grows from our commitment to our employees. This year we've worked to align our employees' objectives and contributions to **Home for Success**, the thinking that underpins everything we offer to students. We're also making sure we continue to recruit great people with a new recruitment website which showcases why Unite Students is a great place to work.

Recognition
Stars Awards
The Stars Awards is our annual recognition event where we reward the great work and brilliant performance of our teams and employees across the business. This year, the categories have been redesigned to reflect Home for Success.

Long service
As well as the award winners, this year there were also 205 people reaching milestones of service. We had 35 people reach ten years' service, four people at 15 years' service and one reaching 20 years' service.

Performance
Team Talk Connect
This event, held at the NEC in Birmingham in March, brought all our city and headquarters teams together under one roof to discuss Unite's strategic direction, Home for Success, new values, plans for the future and latest developments.

QUALITY PARTNERSHIPS

60%

Beds under long-term nominations agreements

+29%[1]

Rise in HR Trust score in last 6 years, at an all time high

86%

University relationships over five years in length

→ Read more about **our partnership with Aston University on p09**

Home for Success makes us an attractive partner for Universities. Together we create a great University experience for our students. Our properties, our service and our people coupled with our ability to continually invest in our portfolio means we are a strong strategic partner for Universities facing the challenge of long-term accommodation planning. Our relationships provide long-term security of income and help to build and grow our business.

Quality relationships
Developing strong partnerships with Universities is about building strong individual relationships with senior leaders within each institution. This takes time.

Around nine out of ten of our University relationships across the UK have now existed for more than five years. This, by its very nature, is hard to replicate. It also ensures we have unique insights in to Universities and their needs and remain ahead of our competition.

Unique insight
We run student retention workshops where we share our insight and customer satisfaction data with University partners. They also share their own survey findings to enable us to work together to deliver the best student experience, increase satisfaction and aid retention, which are both key measures of the new Teaching Excellence Framework (TEF).

Feedback from Universities through our Reputation Survey also helps inform our student experience and product specification. Our approach clearly demonstrates that we value their feedback and our partnerships.

1 Independent Higher Education Reputation Survey, Redbrick Research

Thought leadership
The higher education sector values organisations that can contribute to its overall success and that truly care about students.

Our insight series of research reports provides data-led insight into what students expect and want from their University experiences. We also use roundtables and launch events to help share this insight with leaders in Higher Education.

Providing our partners with competitive advantage
Universities benefit from nominations agreements when they do not have enough of their own beds to meet their accommodation guarantee. They have always sought to guarantee residences to all first years, but many have not been able to as student numbers have grown.

Some also offer all international students guaranteed accommodation during their entire stay at University, while other Universities are now considering extending their accommodation guarantee to second and third year students.

Universities also increasingly recognise the importance of accommodation to their overall student experience and seek long-term trusted partners like Unite.

Contractual agreements to secure long-term income
Under a nominations agreement, the University guarantees occupancy and rents, with a contractual rental uplift on multi-year agreements that is either RPI-linked or fixed, with a minimum and maximum rental uplift achieved by way of caps and collars.

The rents are either market rents or at a minimal discount to market rents, while Unite still operates the building. For multi-year deals we are increasingly seeing requests from Universities to co-brand the nominated buildings.

Unite has also grown the number of beds on longer-term agreements: 69% of our nominations agreements, by bed numbers, are now on a multi-year basis. Historically, we have renewed 95% of the annual agreements year on year.

The key benefits of nominations agreements for Unite include:

- Guaranteed rent through the occupancy guarantee and rent review mechanism
- Deepening our relationships with Universities as we work closely and become a preferred partner
- Allowing us to identify further partnership opportunities much earlier than our competitors.

STRENGTH OF OUR BRAND

Phil White
Chairman

Board priorities

The highlights of the year included:

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

→ Read more about **Building on our core principles on p20**

In 2017, the business continued the positive performance of recent years. Building on the strength of our brand and our reputation with customers and Universities, we entered our first on-campus University partnership with Aston University and secured two further development-led University partnerships with Oxford Brookes University and in London with planning support from King's College, London.

Financial performance has again been strong, with a total accounting return of 14% and growth in EPRA earnings, up 12% to £70.5 million. Profit before tax was £229.4 million, which includes property revaluations and disposal profits of £169.2 million (2016: £201.4 million and £136.3 million respectively). As a result of this performance, we are declaring a final dividend of 15.4p to deliver a total dividend of 22.7p for the full year, an increase of 26% 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.

I would also like to take this opportunity to pay tribute to one of our Directors, Manjit Wolstenholme, who sadly passed away last November. Manjit was a friend and colleague and her judgement, insight and humanity will be greatly missed.

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

The outlook for our market remains positive, with ongoing structural growth being generated by 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 ongoing Brexit negotiations and political landscape in the UK present a backdrop of some uncertainty, these sector fundamentals, together with our high-quality portfolio, University relationships and market-leading operating platform, position us to continue performing well in the years to come.

Given our confidence in the sector and the sustainability of our business model, the Board has agreed to increase our dividend pay-out ratio to 85 per cent of EPRA earnings in 2018 onwards.

Phil White
Chairman
21 February 2018

Strategic report
CHIEF EXECUTIVE'S STATEMENT

DELIVERING FOR STUDENTS

Richard Smith
Chief Executive Officer

Financial highlights

EPRA earnings
£70.5m ↑ 12%

EPRA EPS
£30.3p ↑ 7%

Profit before tax
£229.4m ↑ 14%

Basic EPS
95.3p ↓ 6%

Dividend per share
22.7p ↑ 26%

EPRA NAV per share
720p ↑ 11%

Total accounting return
14%

Loan-to-value
31%

I am pleased to report another strong set of results for the year ended 31 December 2017. 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. We do this by providing great service and operating brilliant buildings, designed specifically for students. Our investment discipline ensures we maintain a robust capital structure and deliver high-quality earnings.

Performance in 2017 resulted in another year of growth in EPRA earnings, like-for-like rents and development profits. EPRA earnings increased by 12% to £70.5 million and now represents one-third of total shareholder returns. The focus on delivery of the ongoing earnings performance of the business is increasingly underpinned by University backed contracts giving us the confidence to increase our dividend pay-out from 75% to 85% of EPRA EPS in 2018.

We will continue to focus on growing earnings, both in absolute terms and as a proportion of our total return. This is driven by our ability to maintain full occupancy, to continue growing rental levels on an annual basis, the consistent focus on cost efficiencies and from the completion of our high-quality development pipeline.

Our PRISM operating platform, which became fully operational in 2016, coupled with our experienced management and leadership teams, give us a unique capability to drive value from our portfolio through scale efficiencies and revenue management, supporting our ongoing income focus.

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. We completed two important strategic initiatives during the year with the acquisition of a 3,067-bed, on-campus portfolio at Aston University and the sale of 4,800 beds that did not meet the long-term strategic goals of our portfolio. These initiatives are supported by our ongoing development activity and further University partnership opportunities to ensure that we are increasingly focused on the best Universities in the UK.

Delivering for students

Our business is focused on delivering a Home for Success: an affordable, consistent and high quality living environment that helps students make the most of their time at University. Going to University should be more than simply a stepping stone to employment and we strongly believe that where a student lives has a material impact on their social and academic development. We strive to ensure that every aspect of our student proposition is therefore designed to provide a safe and secure environment where they can integrate and develop, academically and socially.

Our student proposition is delivered by 1,400 highly experienced employees, whose understanding of students is a cornerstone of our success. As part of our strategy, we continue to invest in recruiting, retaining and developing the very best people. This commitment is reflected in the results of our employee effectiveness surveys and the prestigious Investors in People Gold Standard accreditation and we are pleased to have achieved the Living Wage Employer accreditation.

We also recognise that going to University is a significant investment for young people and offer a variety of accommodation at different price points, with the majority of our rooms concentrated at a mid-range price point for purpose-built student accommodation.

CHIEF EXECUTIVE'S STATEMENT CONTINUED

This commitment to the customer is reflected in average occupancy of 98% and rental growth of 3.5% over the last five years. Growing numbers of second and third year students, who have traditionally preferred to live in private rented accommodation, are choosing to return to us and now account for over two-thirds of our direct-let bookings. 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.

Partner of choice for Universities
Our focus on customer service is closely aligned with the priorities of our University partners, for whom student experience is now a key performance metric under the Government's new Teaching Excellence Framework. With students spending more time in their accommodation than on campus, we can increasingly demonstrate to Universities how Home for Success supports their strategic ambitions.

This, combined with a long standing commitment to building relationships with key University decision-makers, is reflected in the latest results of our independently assessed University trust survey and means that 60% of our accommodation is now let to Universities through nominations agreements. With an average remaining life of six years, these agreements provide income and rental growth certainty on over half of our revenue.

The delivery of great customer service to students and Universities has translated into a strong financial performance in 2017, delivering occupancy of 99% and rental growth of 3.4% (2016: 98%, 3.8%). With our new operating system, PRISM, we have also delivered further improvements to our NOI margin and overhead efficiency measure.

Our people, University relationships, the quality of our portfolio and PRISM, our operating platform, set us apart from the other operators in the sector. Going forward, I am confident they will support the future growth and financial performance of the business.

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 focusing our portfolio activity on further improving alignment to high and mid ranked Universities and, in the process, underpinning rental growth over the medium and long term. We currently have 85% of our beds occupied by students attending such Universities, which will increase to 90% on completion of our existing development pipeline, planned acquisitions and disposals.

During 2017, we opened 2,150 new beds, added 3,067 beds to our portfolio through the Aston Student Village acquisition and sold 4,800 beds. Taking into account these activities, together with valuation movements, the value of our investment portfolio (including our share of USAF and LSAV) is £2.4 billion as at 31 December 2017.

The purpose-built student accommodation sector continues to attract a significant level of institutional capital. Over £4 billion of assets were traded in the year, driving yield compression across the sector. The yield movement on our portfolio, on a like-for-like basis, was 15 basis points and the portfolio is valued at an average portfolio yield of 5.2% (2016: £2.1 billion and 5.45% yield).

Development pipeline
We also made excellent progress with our development pipeline during the year. We completed five new buildings over the summer and secured an additional two new development schemes, which increases our secured development pipeline for delivery over the next three years to 7,550 beds. The construction of all our 2018 openings is progressing in line with plans. Planning consents and build contracts are in place for all of our 2019 deliveries and we are finalising our plans for schemes delivering in 2020.

During 2017, USAF completed its two forward-fund schemes in Oxford and Edinburgh and acquired three further forward-fund schemes in Durham and Birmingham, adding 1,000 beds to the portfolio on completion in 2018 and 2019.

The anticipated yield on cost of our secured development pipeline is 8.1% and prospective returns on new schemes outside London remain attractive at around 8.0%. The secured development pipeline is highly accretive and remains a significant component of our future earnings growth and could contribute 10–12 pence per share to EPRA earnings once built out.

University partnerships
Following the success of the Aston University transaction, Unite has secured two further University partnership schemes. Firstly, during the year, we acquired the former Cowley Barracks in Oxford. Working with Oxford Brookes University, we have 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 1,365 beds. The agreement provides the University with much-needed accommodation and Unite with income and rental growth certainty over the long term.

Secondly, following the year end, Unite recently secured a new development site in London. Working with planning support from King's College, London we will submit a planning application to build around 1,000 beds of cluster-flat accommodation in the second half of the year. We expect to enter into a long-term nominations agreement over this property, providing much needed capacity in a location where there is a severe shortage of high quality affordable student accommodation. This is our first land acquisition in London since 2013, facilitated by the correction in land values seen in certain zone 1 locations and our ability to unlock value through our relationships with Universities.

The initial development returns on these University-backed schemes are 6–7%, around 100 basis points lower than a scheme where Unite takes full letting and rental growth risk. However, total returns are expected to be 9–10% and given the University relationships and the security of income the agreements provide, these opportunities are strategically important and remain value enhancing.

We continue to see attractive development and partnership opportunities in strong University markets and we plan to invest selectively in target markets to enhance portfolio quality and deliver target returns.

Q&A with the Chief Executive

Richard Smith addresses some topical questions from our shareholders

Q What is the impact of the new Teaching Excellence Framework on your strategy?

A The TEF results reinforce our strategy of partnering with mid- to high-ranking Universities. Currently 85% of our beds are aligned to these types of institutions, and with new developments such as Cowley in Oxford and Middlesex Street in London, we are expecting this to grow to 90% on completion of our existing development pipeline.

Student satisfaction and retention are key measures of TEF, and we believe our strategy can help our University partners excel in these areas, continuing to make us an attractive accommodation partner.

Q You bought and sold more properties than in previous years in 2017. Why?

A The quality of our portfolio is a key differentiator between Unite and our competitors. We continually review it to ensure we have the best properties, in the right locations, and are aligned with mid- to high-ranking Universities, supporting the quality earnings profile of the business. This strategy drives both our acquisitions, and our disposal activity. By disposing of properties which no longer fit our quality criteria, we can continue to invest in new, exciting opportunities such as our acquisition of Aston Student Village.

→ Read more in our **Property review on p36**

Strategic report

CHIEF EXECUTIVE'S STATEMENT CONTINUED

Acquisitions and disposals
We also continue to target acquisitions of completed assets and portfolios that enhance the quality of our portfolio and the earnings profile of the business. These acquisitions are generally targeted through our co-investment vehicles due to their lower cost of capital, allowing us to generate enhanced returns through our asset management and acquisition fees. During 2017, USAF acquired one 437-bed completed asset in Sheffield for £36 million. Since the year end, USAF has acquired a 331-bed investment asset in Edinburgh for £24 million.

Disposals remain an important part of our strategy and we will continue to recycle assets out of our portfolio to ensure that we can continue increasing our exposure to the UK's best Universities, while generating capital to invest in further development activity and exciting opportunities such as the Aston Student Village acquisition. During 2017, we sold £181 million of assets at a £5 million premium to book valuations (Unite share). We intend to sell £75–125 million (Unite share) of assets during 2018 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.

High-quality earnings and a strong capital structure
We have achieved 99% occupancy across our portfolio and rental growth of 3.4%. With 60% of this income underpinned by University nominations agreements, we have a high level of visibility in the ongoing occupancy and rental growth outlook of the portfolio. In addition to revenue growth, a focus on efficiency has resulted in further improvements in our NOI margin, which is up to 74.1% (2016: 73.1%), and in our overhead efficiency which shows that our overheads, net of management fees, represents 40 basis points of gross asset value (2016: 40 basis points). Having put in place a £5 million efficiency programme in 2017 (Unite share: £3.8 million), we remain confident about achieving further efficiency gains and delivering our targets of 75% and 25–30 basis points by the end of 2018 and will continue to review how to deliver further efficiencies in 2019 and beyond.

Unite's share of net debt grew by £27 million to £803 million in 2017. The majority of our property and development expenditure (Unite share £185 million) was funded by our disposal programme with the remainder from retained earnings. We reduced LTV to 31% (2017: 34%) as a result of disposals, the conversion of the convertible bond and asset value appreciation. This is at the lower end of our target range, and we expect to increase back to around the mid-30% level as we build out the development pipeline. Our net debt to EBITDA ratio is 6.5 (2016: 6.9), again within our target level of 6.0–7.0, which we intend to maintain.

The Group also secured an investment grade credit rating and arranged a new £500 million, five-year unsecured debt facility, providing 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 12 out of the world's top 100 Universities and 59 of Europe's top 200 Universities. In February 2018, the Government announced a Funding Review. The details of the review are yet to be made clear but we do not believe that it will not have a detrimental impact on the UK's globally-renowned Higher Education sector.

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 2017 was at 700,000 and 534,000 respectively (2016: 725,000 and 540,000). Despite a fall in applications of 3%, Universities were able to recruit from the excess of applications, resulting in intake falling by less than 0.5% with applicants still outstripping acceptances by 166,000. The small reduction in applications was driven principally by changes to funding for some medical related courses and a small reduction in EU students.

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. Since 2015, a demographic trend has seen a reduction in the number of 18–21 year olds, and this trend affects the next three years. However, participation rates continue to increase with applicants still outstripping the places offered by Universities. We expect high and mid-ranked Universities, where our business is focused, to continue attracting more students than those at the lower end of the league tables and therefore we believe our portfolio remains well placed to withstand any potential reductions in applications.

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 580,000 beds representing around one-third of the UK's student population. At this level, there remains a shortage of purpose-build accommodation compared to the numbers of first years, international and increasingly second and third-year students. The outlook suggests that the rate of new supply will continue at a similar rate of around 25,000 beds in 2018, before starting to reduce in 2019. Moreover, a large proportion of the new supply is focused on the premium end of the market and we believe the competitive threat that it poses to our more mainstream proposition is limited.

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

Outlook

Building on our consistent performance record and supportive market fundamentals the Group remains well placed to deliver sustainable earnings growth in the years ahead. UK Universities continue to demonstrate their ability to adapt and respond to a changing landscape and retain their globally recognised status. The demand for high quality Higher Education among both UK and international students continues to grow. Our development pipeline and operational expertise provides good visibility of future rental growth and increasing recurring earnings. 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
21 February 2018

Strategic report

STRATEGY AT A GLANCE

BUILDING ON OUR CORE PRINCIPLES

Our strategy

Our strategy is to build the UK's largest portfolio of student accommodation, with engaged, committed people delivering high levels of customer satisfaction, ensuring we are the partner choice for Universities.

Quality properties

Current strategic focus

- Development and portfolio recycling to ensure we have the right properties, in the right locations, aligned to high-ranking Universities
- Ensuring our buildings are safe, secure and energy efficient

→ Read more about **Quality properties on p16**

Quality service platform

Current strategic focus

- Maintaining high occupancy rates
- Delivering continuing rental growth
- Deliver ongoing efficiency improvements through our proprietary operating platform
- Customers service enhancements and satisfaction

→ Read more about **Quality service platform on p32**

Quality University partnerships

Current strategic focus

- Continuing to build strong partnerships with high-quality Universities
- Grow the proportion of Unite beds aligned to mid- to high-ranking Universities
- Grow quality of nominations *agreements*

→ Read more about **Quality University partnerships on p10**

Quality people

Current strategic focus

- Ongoing training to ensure our people deliver the best customer experience for our students
- Leadership and development opportunities to ensure a strong pipeline of talent
- Ensure we have a diverse employee population

→ Read more about **Quality people on p08**

2017 in review

- Opened five new properties
- Acquired ASV, our first on-campus property
- Disposed of £181 million of assets which no longer fit with our strategy

Objectives for 2018

- Continue to increase the quality of our portfolio through acquisitions and disposals
- Continue to align our properties with mid- to high-ranking Universities

Link to performance

- Gross asset value
- Earnings per share
- Higher Education trust score
- Safety
- Customer satisfaction

2017 in review

- Occupancy rate of 99% and 3.4% rental growth
- Delivered further improvements in NOI margin and overhead efficiency measure

Objectives for 2018

- Maintain high occupancy levels and rental growth of 3.0–3.5%

Link to performance

- Earnings per share
- Customer satisfaction
- Gross asset value

2017 in review

- Acquisition of 3,067 beds on-campus at Aston University
- Secured two further University partnership schemes in Oxford and London, totalling 1,900 beds
- 60% of our beds are under nominations agreements with an average remaining life of six years

Objectives for 2018

- Pursuing further University partnership schemes to deliver further growth and long term security of income
- Increase beds under long-term nominations agreements

Link to performance

- Net asset value
- Earnings per share
- Higher Education trust

2017 in review

- All employees received Service Style training to ensure the customer is at the heart of everything we do
- Launched new values to guide how we do things as well as what we do
- Refreshed our approach to recruitment with new tools including a new recruitment website

Objectives for 2018

- Continue to invest in developing and training our people
- Make further progress on raising our employee effectiveness score towards the 60% threshold

Link to performance

- Employee effectiveness KPI
- Safety
- Earnings per share

→ Read more about **Remuneration on p75, KPIs on p22 and Risks on p24**

FINANCIAL KPIs

Earnings per share*
Pence

30p

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

Comments
Sustainable growth in earnings has been driven by 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.

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

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

Alignment to strategy

Net asset value*
Pence per share

720p

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.

Comments
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.

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

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

→ **Remuneration on p75**

Alignment to strategy

Total accounting return
%

14%

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.

Comments
Total accounting return has averaged 18% in the last six years, driven by the growth in EPRA earnings, yield compression, rental growth *and development profits.* The performance in 2017 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
%

31%

Measure
Our ratio of net debt to *property values.*

Comments
Continued to deliver reduction in LTV 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.

→ **Remuneration on p75**

Alignment to strategy

OPERATIONAL KPIs

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

Safety
Number of accidents

5

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

Comments
Our Accident Incident Management System (AIMS), has provided us with greater visibility on our incident reporting, enabling us to implement new ways of working that have improved efficiency. Safety is a high priority within our business and supports our strategic priority to offer great service.

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

Alignment to strategy

Customer satisfaction
%

81%

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

Comments
This year we have added 1% to our customer satisfaction score. We are determined to drive further improvement through hard work on our strategic priority to offer quality service to our customers.

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

→ **Remuneration on p75**

Alignment to strategy

Employee effectiveness
%

54%[1]

Measure
This year we did not conduct an employee engagement survey as we reviewed our approach and supplier. A survey will be conducted in Q1 2018.

1 2016 result

Comments
In 2018 we will be surveying our employees more regularly on key engagement topics in order to better respond to their needs and drive an increase in our overall engagement score. We will continue to benchmark against leading UK companies.

Target
We aim to increase the employee effectiveness percentage above the 60% threshold.

Alignment to strategy

Higher Education trust
%

80%

Measure
Annual qualitative research with our Higher Education partners to understand their perception of Unite and the degree to which we meet their needs.

Comments
Understanding what our Higher Education partners need from us, both for themselves as institutions and for their students, is a vital part of improving our level of service to offer great service. The overall score is in line with last year and whilst our strong University partnerships were supported by the ongoing focus of providing a Home for Success, we need to continue to work hard to ensure this is reflected in the score.

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

→ **Remuneration on p75**

Alignment to strategy

Strategic report
RISK MANAGEMENT

OPERATIONAL EXCELLENCE, ALIGNED WITH RISK MANAGEMENT, HELPING TO DELIVER GROWING AND SUSTAINABLE EARNINGS

Chris Szpojnarowicz
Company Secretary and
Head of Legal

A robust framework for systematically identifying, monitoring and managing risk.

The Group has the opportunity to grow further, uniquely positioned to leverage our longstanding University partnerships. To ensure delivery, continued focus on operational excellence aligned with effective risk and assurance management is essential. This is especially so at a time when the HE sector and the broader economy is facing uncertainty during Brexit negotiations.

How we do this, and assess our principal risks and manage them, are set out on the following pages.

1. **Group Board leads review**
   of risk profile along with assessing principal risks.
2. **Top-down review**
   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 searching externally for best practice**
   engaging with senior leaders in the HE sector as well external technical experts.
5. **External experts**
   Recruiting expert advice on key issues such as fire safety following Grenfell Tower and Information Technology ahead of GDPR introduction.

Output

Market risks *(supply & demand)*	Operational risks	Property/ *Development risks*	Financing risks
→ Read more **p28**	→ Read more **p29**	→ Read more **p30**	→ Read more **p31**

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 2017

Risk Profile category	Key risk developments in 2017	Unite risk activity/assessment
Operational risks (major H&S incident in a property)	Grenfell Tower tragedy renewed focus on fire safety, especially in high-rise residential properties.	Full fire safety review of all our properties. Worked 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. Unite buildings are modern and purpose-built, with ongoing rigorous fire safety and maintenance regimes, as well as whole-building approach (includes provision of white goods, fire compartmentation and fire doors). → Read more about **Fire safety and cladding on p41**
Market risks (supply increase)	Maturing PBSA sector and increasing supply of PBSA beds.	Active property recycling, with Unite's portfolio positioned in high-quality locations: 73% in top 10 markets 85% of Unite's portfolio aligned to high/mid-ranked Universities and TEF Gold/Silver 99% occupancy in 2017/18, underpinned by 60% nominations agreements, with an average remaining life of 6 years providing income and rental growth certainty. → Read more about **Quality partnerships on p10 and our Property Review on p36**
Market risks (reduction in demand)	Ongoing Brexit negotiations and UK's stance on immigration creates uncertainty for HE sector. 2017 student intake was broadly consistent with 2016, with participation rates increasing, offsetting the demographic reduction.	Whilst there was a 4% fall in applications in 2017, University intake was broadly in line with 2016 due to the excess of applications over acceptances. → Read more about **Market drivers on p02**
Market risks (supply & demand)	Customer expectations increasing. Value for money and affordability are increasingly important.	Enhanced PRISM, our innovative and proprietary digital platform. Strong service delivery evidenced by record high customer satisfaction and Higher Education trust scores. Wi-Fi upgraded to 70Mbps. Enhanced our Unite apps to improve connectivity with our digital native customers. Rolled out Student Ambassador programme and University-adopted Welcome programme. GDPR compliance review of our digital offering. → Read more in our **Operations Review on p32**

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 HE 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 generic 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 is developed.

During 2017, consistent with prior years, this stress-tested scenario planning considered a material reduction in the number of European and international students, a material rise in long-term interest rates and yield expansion, together with a combination of all these events occurring at the same time.

Our strategic objectives compared to our risk profile

Strategic objective	Risk profile category	Principal risks
Quality properties	**Property/Development**	**Increasing competition and customer expectations** underlines the importance to constantly improve the quality of our portfolio, whilst navigating site selection, development/planning risks and build cost inflation as well as disposal risks.
Quality service platform	**Market (supply & demand)** **Operational (H&S)**	The **health, safety, wellbeing and security** of the 50,000 students who make Unite Students their home is the foundation of our reputation and continued focus on H&S is key to building and maintaining this trust. **Affordability and value for money** are increasingly 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.
Quality University partnerships	**Market (supply & demand)**	**With the increasing supply and maturing PBSA sector** enhancing strong and sustainable University relationships is increasingly important.
Quality people	**Market (supply & demand)** **Property/Development**	**In an increasingly competitive market with more demanding customers** developing and retaining our talent is critical to ensure market leadership.
Earnings & NAV growth	**Financing**	Critical to maintain a timely approach in arranging new debt and extending debt maturities, reducing the cost of funding, diversifying our funding sources and introducing new lenders to the Group. We ensure we secure a strong balance sheet with appropriate levels of leverage and liquidity so the business can withstand the property cycle.

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 5 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 & 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 Management Board
- Monthly risk tracker review at Management Board
- 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 Head of Legal and Chair of Risk Committee

Joe Lister
Chief Financial Officer and MD of People and Communications

Richard Smith
Chief Executive Officer

Richard Simpson
Group Property Director

Key Risk Indicators (KRIs) linked to our KPIs and our strategic objectives

Strategic objective	KPIs
Quality properties	Gross asset value
	Asset age
	Occupancy
	Rental growth
Quality service platform	Safety
	Customer satisfaction
	Occupancy
Quality University partnerships	Safety
	University trust
	Customer satisfaction
	% Noms v. Direct Let
Quality people	Safety
	Employee engagement
	Customer satisfaction
	University trust
Earnings & NAV growth	EPS
	Total accounting return
	Net debt
	LTV
	Net debt : EBITDA

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 2020, taking account of the Group's current position and the potential impact of the 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, 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 2020.

As explained above, the Group has developed 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 a further 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 the 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 potential greatest 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 included the first Group unsecured loan facility, 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 in the **Financial Review on p42**

Strategic report

PRINCIPAL RISKS AND UNCERTAINTIES

Market risks

1. *Demand reduction (driven by 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 EU research grants and EU students coming to the UK.

What happened in 2017
- Brexit uncertainty continues. Whatever the terms of Brexit – "hard" or "soft" – its complexity is very time-consuming, resulting in distractions from other policy initiatives.
- UK continues as 2nd most popular international destination for students (after the US).
- Government undertaking a review of University funding and student finance.
- 2017 student intake broadly in line with 2016. Participation rates have increased, offsetting the 5% reduction in applications. Unite has limited exposure to these reduced applications due to relationships with high and mid-tariff Universities.
- 2017 saw stronger growth in the high and mid-tariff Universities.
- EU students funding arrangements for duration of study confirmed for 2017/2018 and 2018/2019.
- Increased focus on quality and length of nominations agreements. 60% secured through nominations agreements with 6 years average maturity.
- *Immigration: the Government has commissioned an independent review of the costs and benefits of* international students. The review of international student "over stayers" showed the number is around 4,600 rather than in the 100,000's as reported in the media before. This is widely seen as good news for the HE sector and may result in the removal of international students from the highly politicised net migration targets.

→ Read more about **Market drivers on p02 and Quality partnerships on p10**

Risk management
Ongoing monitoring of Brexit implications, Government policy and its impact on UK, EU and international student numbers studying in the UK. Regularly reviewing our portfolio to ensure we have the highest quality portfolio, appropriately sized and in the right locations.

Risk mitigation in 2017
Implement our Brexit Readiness Plan

Through implementation of Home for Success – our core purpose to provide environments that help students achieve more during their time at University – we are seeing consistently high customer satisfaction and Higher Education trust scores.

→ Read more about **Key performance indicators (KPIs) on p22**

Strategic objective
Offering great service is key to helping us sustain *any reduction in demand. Ensuring we have high* quality properties and growing and sustainable earnings to manage any demand deficit.

→ Read more about
Business model and strategy on p04

Focus for 2018
Continued engagement with the Higher Education sector to understand and be ready for the impact of Brexit and other HE policy changes.

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 semester-led courses.

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

What happened in 2017
- Strong service delivery evidenced by high customer satisfaction and University trust scores.
- Increasing proportion of second and third-years choosing PBSA. 65% of Unite's direct lets are returning students.
- Enhanced PRISM, our innovative and proprietary operating platform.
- Wi-Fi upgraded to 70Mbps. Enhanced our Unite apps to improve connectivity with our digital native customers.
- Rolled out Student Ambassador programme and University-adopted Welcome programme.

→ Read more about our **Quality service platform on p04**

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

Risk mitigation activity in 2017
Ensured the successful roll out of PRISM, enabling online and more flexible tenancies.
Continued investment in market knowledge and building on our relationships with the strongest Universities, driven by Home for Success and our University partnerships team.

Strategic objective
Offering quality service is key to ensuring we have relationships with the higher and medium-tariff Universities (the ones most likely to sustain a reduction in demand). PRISM helps us deliver the best customer service efficiently.

→ Read more about
Business model and strategy on p04

Focus for 2018
PRISM to drive enhanced customer service and value for money, through its scalability and digital efficiency.
Continued focus on Home for Success and our partnerships with the stronger Universities.

Key

Quality properties
Quality people
Quality service platform
Earnings & NAV growth
Quality University partnerships

3. Supply increase (due to increasing interest in the performance and appeal of the PBSA sector)

Possible events
- New supply as sustained high levels of investment demand filter into the development market, primarily through investors providing forward commitments to smaller developers.

Impact
- More competition for the best sites
- Potential impact on rental growth and occupancy.

What happened in 2017
- Over £4bn of PBSA assets traded in 2017, up from the £3.5bn in 2016.
- PBSA sector maturing and becoming increasingly professionalised.
- Unite secured 99% occupancy for the 2017/2018 academic year, underpinned by 60% nominations agreements.
- 5 development properties delivered in 2017. Active property recycling, resulting in higher-quality Unite portfolio.

→ Read more about **Property Review on p36 and our Operations Review on p32**

Risk mitigation in 2017
We continue with our focus and strategy on:
- Markets with supply/demand imbalance
- Exposure to the best Universities underpinned with new developments secured with nominations agreements

→ Read more about **Operations Review on p32**

- Investment in our brand and student experience – creating better environments within our new developments through Home for Success
- Maintaining strong relationships with key Higher Education partners.

Strategic objective
Offering great service as well as having high-quality properties is critical to mitigating any supply surplus.

Focus for 2018
Continued focus on our portfolio in the towns and cities with the strongest growth prospects and using PRISM, our scalable operating platform, to differentiate our brand and offer consistently high levels of service to students and Universities alike.
Ensuring a strong yet flexible capital structure so we can adapt appropriately as supply grows.

Operational risks

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

Possible events
- Fatality or major injury from a fire or other incident at a property
- Multiple contractor injuries at a development or operational site.

Impact
- Impact to students living with us, contractors working on-site and visitors
- Reputational damage and trust in Unite Students as a reliable partner.

What happened in 2017
- The Grenfell Tower tragedy renewed focus on fire safety, especially in high-rise residential buildings.
- Unite conducted a full fire safety review of all our properties. Worked closely with DCLG, local fire authorities and fire safety experts to ensure fire safety and address any remedial actions following Grenfell Tower tragedy learnings.

→ Read more about **Fire safety and cladding on p41**

- Ensured aligned national approach through the Avon Fire Authority, our Primary Fire Authority.
- Reviewed our specification for new builds and developments.
- Continued good performance against our KPIs.

→ Read more about **KPIs in H&S Committee Report on p72**

Risk management
H&S is given direct Board supervision by the H&S Committee (a sub-committee of the Board) which actively supervises H&S, ensuring robust policies and procedures are in place and consistently complied with.

→ Read more about **H&S Committee Report on p72**

H&S is also actively reviewed in the Management Board, ensuring that H&S is top of mind in our day to day operations and regularly assessed and validated.

Risk mitigation activity in 2017
Our ongoing internal inspections of our properties, with external assurance sought through:
- British Safety Council, our external safety auditor
- Physical security review through WSP Parsons Brinckerhoff

Working in partnership with the Avon Fire Authority, our Primary Fire Authority, to ensure best practice in fire safety.

Student safety campaigns: 3 safety focused campaigns for students during their first 6 weeks living with Unite. These were run in conjunction with local fire and rescue services and Police Community Support Officers.

1. Student fire safety
2. Alcohol awareness
3. Student personal safety

Strategic objective
Ensuring the H&S of our customers, contractors and employees is fundamental to us offering quality service.

→ Read more about **Business model and strategy on p04**

Focus for 2018
Continued focus on fire safety and education, reinforcing fire as our biggest safety risk.
Finalise ACM cladding replacement requirements, based on further testing, and complete existing current cladding replacement plans.
Integrating Wellbeing into the H&S Management System.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Property/development

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
- Site acquisition risk – increasing competition for the best sites pushes up prices.
- Planning risk – delays or failure to get planning.
- Construction risk – build cost inflation as the economy improves.

Impact
- NAV and EPS affected by aborted schemes and/or reduced financial returns, with cash tied up in development.

What happened in 2017
- 2017 schemes delivered, on time and to budget.
- Increased our second development pipeline for delivery over the next three years to 7,550 beds.
- 2018 openings progressing in line with plans. Planning consents and build contracts in place for all 2019 deliveries.

→ Read more about **Property Review on p36**

Risk management
Experienced development team with extensive site selection and planning expertise, coupled with strong track record and focus on project delivery and strong relationships with construction partners with appropriate risk sharing. Group Board approval for commitments above a certain threshold.

Financial investment in schemes carefully managed prior to grant of planning.

To ensure we have the highest quality portfolio, we are pursuing new opportunities on a conditional basis, but with a limited number of sites contracted *not conditional on planning following a detailed risk* assessment of that opportunity.

Risk mitigation in 2017
Regular development team and property review, with Group Board director oversight to ensure failure to *secure sites or complete on time are managed in the budget.*

Detailed planning pre-applications and due diligence before site acquisition.

→ Read more about **Development activity on p39**

Build cost inflation regularly appraised and refreshed. Mid-sized framework contractors used and longer term relationships established to mitigate cyclical swings.

Strategic objective
Quality properties.

→ Read more about **Business model and strategy on p04**

Focus for 2018
Main focus will be on delivering multi-location developments and securing pipeline for 2020.

→ Read more about **Secured development pipeline on p39**

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

Possible events
- Buying or selling properties at the wrong point in the cycle.

Impact
- Reduction in asset values reducing financial returns.

What happened in 2017
- Over £4bn of PBSA assets traded in 2017, up from the £3.5bn in 2016.
- The value of the Group's investment portfolio (including our share of co-investment vehicles) increased to £2,595 million as at December 2017 (31 December 2017: £2,277 million) with the average portfolio yield falling 15bps to 5.20%.
- During 2017 we continued to maximise our portfolio value through a programme of selective *developments, acquisitions and disposals.*

→ Read more about **Asset disposals on p41**

- Customer satisfaction continues at high levels supporting rental growth and our portfolio value.

→ Read more about **Property portfolio on p36**

Risk management
Group Board and Management Board ongoing monitoring of property market, direction and values.

Forecast rental growth and recurring profit offsets any yield movement.

Ensuring we have a strong yet flexible capital structure so we can adapt appropriately to market conditions.

Clear and active asset management strategy.

Risk mitigation activity in 2017
Disposals – ongoing monitoring of our entire portfolio with selective disposals to benefit from keener prices in the market. We sold £472 million of assets in 2017.

Acquisitions – disciplined acquisitions strategy exercising caution over portfolio premiums being paid in the market.

Careful management of net debt and LTV.
Maintaining disciplined approach to new development transactions by maintaining Group hurdle rates

Strategic objective
Quality properties.

→ Read more about **Business model and strategy on p04**

Focus for 2018
Ongoing monitoring of the property market and general economic conditions.
Ensuring a strong yet flexible capital structure to manage the property cycle.
Continued focus on Home for Success and our partnerships with the stronger Universities.

Key

Quality properties
Quality people
Quality service platform
Earnings & NAV growth
Quality University partnerships

Financing 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
- Unite breaches a loan covenant or fails to replace debt on expiry
- Interest rate increase.

Impact
- If unable to replace debt, then possible forced sale of assets potentially leading to sales below valuation. Slowdown of development activity. Reduced level of profitability
- Adverse rate movements can lead to reduced profitability and reduction in property values (through resulting expansion of valuation yields and lower valuations).

What happened in 2017
The 2.5% Guaranteed Convertible Bonds due 2018 fully converted. Unite assigned an investment-grade corporate rating of BBB from Standard & Poor's and Baa2 from Moody's. This reflects the strength of the Group's capital position, cash flows and track record.

This credit rating underpinned our transition to an unsecured capital structure with a new £500 million unsecured debt facility, reducing our average cost of debt to 3.9% when fully drawn.

At as 31 December 2017, LTV 31% (December 2016: 34%) and net debt of £803m (31 December 2016: £776m).

80% of debt at fixed rate/swapped.

Risk management
Proactively managing debt maturities to refinance these facilities at least 6–12 months before maturity and in parallel diversifying our sources of finance to repay more expensive and less flexible borrowings.

Control of future cash commitments in line with progress of disposals and refinancing.

Interest rates monitored by the funding team as an integral part of our refinancing activity – owned by the CFO and with Group Board oversight. Gearing ratios defined in our Capital Operating Guidelines.

Hedge exposure with interest rate swaps and refinance facilities with fixed rates.

→ Read more about **Financial Review on p42**

Risk mitigation in 2017
Regular and reliable engagement with lenders.
With a benign interest rate environment, we have continued to take advantage of historically low rates (both on new debt and also entering into forward-starting interest rate swaps locking in rates for our 2018–2020 development pipeline).

→ Read more about **Debt financing and interest rate hedging arrangements and cost of debt on p44**

Strategic objective
Earnings and NAV growth.

→ Read more about **Business model and strategy on p04**

Focus for 2018
Transition to unsecured capital structure and funding future development acquisitions beyond 2020.

Strategic report
OPERATIONS REVIEW

Creating a Home for Success for our students is delivered by our engaged, highly-trained people working with a quality service platform across our quality portfolio.

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.

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 2017, resulting in a 12% increase in EPRA earnings to £70.5 million (2016: £62.7 million). This growth has again been driven by high occupancy, rental growth and the impact of portfolio movements, as well as further operational efficiencies and ongoing cost discipline.

Summary EPRA income statement

	2017 £m	2016 £m
Rental income	**170.8**	159.1
Property operating expenses	**(44.3)**	(42.8)
Net operating income (NOI)	**126.5**	116.3
NOI margin	**74.1%**	73.1%
Management fees	**14.1**	14.0
Operating expenses	**(24.6)**	(23.1)
Finance costs	**(45.2)**	(45.9)
Acquisition and net performance fees	**4.3**	6.9
Development and other costs	**(4.6)**	(5.5)
EPRA earnings	**70.5**	62.7
EPRA EPS	**30.3p**	28.4p

A full reconciliation of Profit before tax to EPRA earnings is set out in note 2.2 of the financial statements.

Rental income has increased by £11.7 million, up 7%, as a result of new openings and sustained rental growth, after the impact of disposals made in the year. NOI margin improved to 74.1% (December 2016: 73.1%), reflecting further operating efficiencies from the PRISM operating platform. PRISM provides us with the ability to differentiate ourselves from other operators, driving efficiencies through the use of technology, which also provides enhanced levels of service for our customers. We maintain our expectation that NOI margins will improve to 75% in 2018 whilst ensuring that we remain focused on service level enhancements.

In 2017, we implemented an efficiency programme which will deliver £5 million of savings (Unite share: £3.8 million). These savings were driven by streamlined processes and procedures as a result of our student insight, PRISM and the scale of the business and will reduce the £24.6 million of operating costs incurred during 2017. These savings mean that we are on track to deliver our overhead efficiency target in 2018. Recurring management fee income from joint ventures remained at £14.1 million (2016: £14.0 million), as a result of the valuation growth of assets under management in USAF and LSAV offset by disposal activity. In addition to the recurring asset management fees, a further £4.3 million of net performance and acquisition fees were generated from USAF and LSAV (2016: £6.9 million). The USAF net performance fee is based on USAF's cumulative total return at 31 December 2017 and is payable in USAF units.

Finance costs decreased to £45.2 million (2016: £45.9 million). An increase in net debt of £27 million to £803 million (2016: £776 million) was offset by a lower average cost of finance of 4.1% (2016: 4.2%) 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 driven largely by spend on development activities which has, in turn, led to an increase to £7.4 million in the amount of interest that is capitalised into development schemes, up from £5.9 million in 2016. We expect the level of interest capitalisation to remain at around this level given the ongoing level of development activity in 2018 and 2019. Development (pre-contract) and other costs fell to £4.6 million (2015: £5.5 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 2017/18 academic year stands at 99% and like-for-like rental growth of 3.4% was achieved on our portfolio. We have continued to grow the proportion of beds let to Universities, with 60% of rooms under nominations agreements (2016/17: 58%), up by 5,000 beds over the last three years. Enhanced service levels and our extensive understanding of student needs have resulted in longer-term and more robust partnerships with Universities.

Q&A with Simon Jones

Operations Director

Simon Jones addresses some topical questions from our shareholders

Q What is happening with rental growth and occupancy?

A Like-for-like rental growth of 3.4% was achieved on our stabilised portfolio, with occupancy at 99%.

Reservations for the 2018/9 academic year currently stand at 75%, which is encouraging. We anticipate rental growth for the 2018/19 academic year to be in the region of 3.0–3.5%.

Q How do you drive operational effectiveness?

A We are on track to deliver our NOI margin target of 75% and overhead efficiency target of 25–30bps in 2018.

The introduction of PRISM has allowed us to use technology solutions to free up time and allow us to focus more on customer service.

Strategic report

OPERATIONS REVIEW CONTINUED

Agreement length	Beds	%	Rental income £'000	%
Single year	9,038	31	52,357	29
2–10 years	12,017	41	80,795	44
11–20 years	3,783	13	25,517	14
20+ years	4,225	15	24,515	13
Total	**29,063**	**100**	**183,183**	**100**

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.

Reservations for the 2018/19 academic year are encouraging, at 75% (73% at the same point last year) as a result of our continued focus of working alongside the UK's best Universities, as well as the success of our online marketing strategy and further progress through our local marketing operation in China. The structural growth within the cities we operate, together with our differentiated service offering, provides us with further confidence in future occupancy and supporting rental growth for the 2018/19 academic year, which we expect to be in the region of 3.0–3.5%.

Home for Success

Our popularity with students and relationship with Universities are both consequences of continuous investment in our purpose: Home for Success.

During the year, we continued to drive value from our proprietary PRISM operating platform, delivering both the anticipated operational efficiencies and a better experience for students. Building on this and our unique insight into student life, we introduced some significant enhancements to our service with a range of new digital services, including uChat, which provides the opportunity for students to meet their flatmates before arriving at University and logged over 80,000 messages in the first three months of operation. The enhanced app, which has been downloaded by over 40,000 customers and allows app-based reporting of noise complaints and maintenance requests, has been introduced together with a more comprehensive pack of pre-arrival information and a smoother booking system for in-house services, such as laundry. We also enhanced our Wi-Fi provision, upgrading both bandwith and access to ensure satisfaction. The range and quality of our digital services now represents a key point of competitive differentiation for Unite and, going forward, we will continue to invest in technology to provide a living experience tailored to the needs and preferences of today's student.

Placer

we have developed the Placer app in a joint venture with NCUB and JISC. It matches students seeking quality work experience to registered employers with available openings.

The app makes career-enhancing opportunities available to students from any social background.

Working closely with our University partners, we are enhancing our service to make the sometimes challenging transition to University life as smooth and painless as possible and increase student retention. As part of this, during the year we expanded our network of paid student Ambassadors, who provide valuable peer-to-peer support for students at critical points in their journey through University.

Our student insight tells us that employability is a key driver of student satisfaction. With this in mind, we recently entered a joint venture with The National Centre for Universities and Business (NCUB) and digital education specialists Jisc to launch Placer, an app-based service that matches students with potential employers that will be fully launched in the next few months. Placer is working with 22 Universities and over 200 employers, of whom half have already signed up to the service.

We strongly believe that University is an opportunity that should be open to all, regardless of their background. During the year, we have significantly expanded our commitment to the Unite Foundation which now provides scholarships for 170 young people from disadvantaged backgrounds who may not have otherwise gone to University. The Foundation works in partnership with 28 Universities up and down the country, for whom it forms an important part of their efforts to widen participation.

The Unite Foundation is our flagship social investment and complements a wide range of grass roots charitable activity, community engagement and employee volunteering. Together with programmes to drive deeper levels of diversity and inclusion across the organisation and reduce waste and energy use, it is a key cornerstone of our Up to uS responsible business programme.

At the heart of Home for Success are 1,400 highly experienced and dedicated people with a passion for helping students. Developing our teams remains a priority for us and we have implemented new Service Style training to the whole organisation over the year. This programme ensures that we are providing our teams with the training required to deliver excellent customer service as well as developing their careers. Our approach to training and development has been an integral part of our Investors in People Gold accreditation and we remain committed to remaining a Living Wage Employer.

We also continue to invest in our reputation and relationships within the Higher Education sector. Our Universities Partnerships and Engagement team is dedicated to building strong working relationships with key University partners. This systematic approach has seen us integrate specific University requirements into new developments and, in the process, helped drive the growth in the number and length of our nominations agreements. Our Insight Reports, meanwhile, look at different aspects of the student experience and have become a valuable source of thought leadership within the sector.

In China, our marketing office is well established and benefitting from a local online presence. We are building on our relationships with both local and British Universities in China, as well as providing important support to our Chinese customers before they travel to the UK and to their parents while their children are overseas. We are confident that this investment will deliver long-term benefits to the business, as well as to Chinese students and UK Universities.

Simon Jones
Operations Director
21 February 2018

Student Ambassador Programme
After a successful pilot, the Student Ambassador Programme is rolling out to all direct-let and nominated properties across the UK to enhance the student experience. The programme was formulated in response to student feedback, where a need for a greater sense of belonging, community and connection was highlighted. Students apply and then work as paid Student Ambassadors, helping new students settle in at first after arrival, answering questions, organising community events and acting as peer support. They themselves are mentored by Unite employees, and the experience and training gained from the position can support job applications.

PROPERTY REVIEW

We continue to improve the quality of our market-leading portfolio.

EPRA NAV growth

EPRA NAV per share increased by 11% to 720 pence at 31 December 2017, up from 646 pence at 31 December 2016. In total, EPRA net assets were £1,740 million at 31 December 2017, up from £1,557 million a year earlier.

The main factors behind the 74 pence per share growth in EPRA NAV per share were:

- The growth in the value of the Group's share of investment assets (+53 pence), as a result of rental growth (+26 pence) and yield compression (+27 pence)
- The value added to the development portfolio (+16 pence)
- EPRA earnings for the period (+30 pence)
- Dividends paid of 18 pence and debt exit costs of 5 pence both reduced NAV

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 69 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 2017, including our share of gross assets held in USAF and LSAV, was £2,595 million (31 December 2016: £2,277 million). The £318 million increase in portfolio value (Unite share) was attributable to:

- Valuation increases of £168 million on the investment and development portfolios, with like-for-like rental growth of 3.4% and yield compression of 15 basis points
- Capital expenditure on developments of £155 million and £16 million on investment assets relating to refurbishment
- Acquisitions of £122 million – primarily Aston Student Village
- Disposals of £176 million
- Increased share of USAF of £33 million, as a result of the performance fee earned in 2016 and acquisitions of units purchased in the secondary market

Summary balance sheet

	2017 £m			2016 £m		
	Wholly owned £m	**Share of Fund/JV £m**	**Total £m**	Wholly owned £m	Share of Fund/JV £m	Total £m
Rental properties	**1,261**	**1,118**	**2,379**	1,062	1,023	2,085
Properties under development	**206**	**10**	**216**	185	7	192
	1,467	**1,128**	**2,595**	1,247	1,030	2,277
Adjusted net debt	**(462)**	**(341)**	**(803)**	(432)	(344)	(776)
Other assets/ (liabilities)	**(35)**	**(17)**	**(52)**	(15)	(14)	(29)
Convertible bond	**–**	**–**	**–**	85	–	85
EPRA net assets	**970**	**770**	**1,740**	885	672	1,557

* A reconciliation of the IFRS balance sheet to EPRA net assets is set out in section 2.3 of the financial statements

The proportion of our property portfolio that is income generating is 92%, which is in line with December 2016, with 8% 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.

Q&A with Richard Simpson
Group Property Director

Richard Simpson addresses some topical questions from our shareholders

Q The yield targets for University partnership developments are lower than for direct-let developments. Why is this?

A It's true the initial returns on our Cowley, Oxford and Middlesex Street developments are around 100bps lower than where we take full letting and rental growth risk.

Both of these developments are supported by University partners, and we have already signed a 25-year nominations agreement on Cowley. We expect to achieve a similar outcome on Middlesex Street with another University. Given the strength of these University relationships, and the security of income the agreements will provide, we believe these developments are strategically important, and significantly value-enhancing.

Q What is driving the valuation growth of the investment portfolio?

A We have delivered rental growth of 3.4% in the year, which flows through to higher valuations. Recent transactions in the PBSA market demonstrate the strong demand for our assets and the external valuers have reflected that in their appraisal of our valuations.

PROPERTY REVIEW CONTINUED

Unite investment portfolio analysis at 31 December 2017

		USAF	LSAV	Wholly owned	Lease	Total	Unite share
London	Value (£m)	350	915	466	–	**1,731**	**1,009**
	Beds	1,886	5,406	1,989	260	**9,541**	**42%**
	Properties	7	13	6	1	**27**	
Major provincial	Value (£m)	1,517	244	566	–	**2,327**	**1,062**
	Beds	18,222	3,067	7,000	2,577	**30,866**	**45%**
	Properties	50	1	16	7	**74**	
Provincial	Value (£m)	324	–	229	–	**553**	**308**
	Beds	4,804	–	3,336	1,059	**9,199**	**13%**
	Properties	16	–	9	3	**28**	
Total	**Value (£m)**	**2,191**	**1,159**	**1,261**	**–**	**4,611**	**2,379**
	Beds	24,912	8,473	12,325	3,896	**49,606**	**100%**
	Properties	73	14	31	11	**129**	
Unite ownership share		24.6%	50%	100%	–		
Unite ownership (£m)		539	579	1,261	–	**2,379**	

The sale of two high-value London studio schemes during the year has reduced our overall London exposure to 42%, down from 47% in 2016. The regional focus of our development pipeline means that the London weighting is likely to fall to around 40% as the portfolio is built out.

Student accommodation yields
The level of transactions in the student accommodation sector has remained high in 2017 following the trend seen over the last few years, with over £4 billion of assets trading during the year. The majority of buyers have been supported by global institutional capital.

As a result of this 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, where there has been the strongest level of demand for assets. This yield compression has been reflected in our portfolio and the average yield at 31 December 2017 was 5.2%, an inward movement of 15 basis points on a like-for-like basis over the year.

Indicative valuation yields

	31 December 2017	31 December 2016
London	**4.25–4.5%**	4.5–5.0%
Prime provincial	**5.0–5.5%**	5.25–5.75%
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 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. 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.

Cowley, Oxford – 887 beds, wholly owned
Working closely with Oxford Brookes University, we acquired an 887-bed property in Oxford, and have agreed a 25-year nominations agreement with the University. Our partnership with Oxford Brookes was instrumental in the council granting planning consent for development. We are focused on identifying opportunities for deeper partnerships based on Universities' commitments to long-term nominations agreements, thus improving sustainable earnings growth. This development will be delivered for the 2019/20 academic year with total development costs expected to be circa £73 million.

Development activity
Development activity continues to be a significant driver of growth in future earnings and NAV. We have added two sites in Leeds and Manchester, representing 1,600 beds, to our development pipeline during the year and secured planning on three new buildings. We are continuing to see opportunities to secure sites for delivery in 2020 and 2021 in strong regional locations alongside high-quality Universities within our target range of around 8.0% yield on cost. Returns on potential new direct-let projects in London still remain below our hurdle rate of 7.0% due principally to higher alternative use values for prospective sites and planning levies.

2017 and 2018 completions
We completed five schemes during 2017 in line with budget and programme. Over 70% of these beds are let to Universities under nominations agreements for the 2017/18 academic year, with an average duration of 10 years.

The 2018 pipeline is progressing well. We are on track to deliver five wholly-owned schemes in Bristol, Newcastle, Sheffield, Portsmouth and Birmingham and, in USAF, two forward-funded developments, both in Durham, adding a total of 3,062 beds. We expect all of the schemes to be fully let for the 2018/19 academic year.

Regional development pipeline
During the year, we have continued to add to our 2019 and 2020 regional pipeline and have a total of five schemes secured which are expected to deliver approximately 4,000 beds in addition to our ongoing 2018 projects. All new regional developments are being undertaken wholly on-balance-sheet and prospective returns for the secured pipeline are very attractive at an average 8.1% yield on cost.

Planning is in place on all but two of the schemes in the pipeline. During the year, we have reorganised the phasing of deliveries, bringing Liverpool forward to 2019 and Aberdeen and Bristol being pushed back to 2020. The two new schemes, in Leeds and Manchester, will be delivered in 2020.

Secured development pipeline (wholly owned)

		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 %
2018 completions								
Newgate Street	Newcastle	575	40	37	11	18	5	8.0%
Brunel House	Bristol	246	30	22	3	8	2	8.5%
Chaucer House	Portsmouth	484	41	33	15	11	3	8.0%
St Vincent's	Sheffield	598	49	38	16	21	4	8.2%
International House	Birmingham	586	50	38	23	14	5	8.0%
2019 completions								
Skelhorne	Liverpool	1,085	96	74	11	49	13	8.0%
2020 completions								
Tower North	Leeds	1,019	107	83	1	82	24	8.0%
Constitution Street	Aberdeen	600	50	42	0	35	3	8.4%
New Wakefield Street	Manchester	603	76	56	12	44	11	8.2%
Old BRI[1]	Bristol	751	98	79	2	61	20	8.4%
Total (wholly owned)		**6,547**	**637**	**501**	**95**	**343**	**91**	**8.1%**

1 Subject to obtaining planning consent

Secured forward-fund pipeline (USAF)
USAF completed two forward-fund assets in 2017, adding new operational beds in Oxford and Edinburgh. USAF also secured three further assets on a forward-fund basis in Durham and Birmingham and acquired two investment assets in Sheffield and Edinburgh. These acquisitions are consistent with its strategy to increase exposure to high-quality Universities and to expand its presence in markets to take advantage of scale. USAF has around £50 million of acquisition capacity which it intends to invest in the first half of the year.

		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 %
USAF								
2018 completions								
Old Hospital	Durham	363	37	32	21	11	5	
Houghnall College	Durham	222	20	16	8	8	4	
2019 completions								
Battery Park	Birmingham	418	43	37	9	28	6	
Total USAF		**1,003**	**100**	**85**	**39**	**46**	**15**	**6.3%**
Unite share of USAF		**n/a**	**25**	**21**	**10**	**11**	**4**	**6.3%**

University partnerships
In addition to growing the value of income underpinned by University-backed nominations agreements, we have made further progress with our strategy of delivering ongoing growth through partnerships with Universities. In February, we acquired Aston University's entire accommodation provision, Aston Student Village, totalling 3,067 beds, for £227 million (Unite share: £113 million) in our LSAV joint venture. The acquisition, which was supported by Aston University, demonstrates the depth of our relationship with the University and the strength of the Unite Students brand amongst Universities. The refurbishment works to common areas and shared kitchens are complete and, along with the lettings performance and cost efficiencies, are supporting financial performance ahead of plan.

Unite has recently secured two further University partnership schemes. Firstly, during the year, we acquired the former Cowley Barracks in Oxford. Working with Oxford Brookes University, we have 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 agreement provides the University with much-needed accommodation in a location where new development is difficult and Unite with income and rental growth certainty over the long term.

Secondly, following the year end, Unite secured a new development site, our first in London since 2013, in Middlesex Street, E1. Working with King's College London, we will submit a planning application to build around 1,000 beds of cluster-flat accommodation in the second half of the year. We expect to enter into a long-term nominations agreement over this property, providing much needed, capacity in a location where there is a severe shortage of high quality affordable student accommodation.

		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 £m
2019 completions								
Cowley Barracks	Oxford	887	91	73	1	72	18	6.5%
2021 completions								
Middlesex Street[1]	London	1,000	250	195	1	194	55	6.25%
Total (wholly owned)		**1,887**	**341**	**268**	**2**	**266**	**73**	**6.3%**

1 Subject to obtaining planning consent

We are currently reviewing a range of funding options to provide the financing for these schemes and will ensure that this is in place prior to committing to the build phase.

Asset disposals
During 2017, £472 million of assets were sold in third-party transactions (Unite share: £181 million), generating £5 million profit on a Unite share basis.

The assets were selected for disposal based on their relative performance and forecast future rental growth. The disposals form part of our strategy to align our portfolio to high and mid-ranked Universities and to focus on more affordable accommodation in the best locations in the cities in which we operate. Following the completion of the disposals, 92% of the Group's beds are in shared apartments, also known as cluster flats.

We will continue to recycle assets in the portfolio to maintain our focus on quality and to maintain capital discipline as we continue to see further growth opportunities.

Fire safety and cladding
Following the tragic events caused by the fire at Grenfell Tower, we completed a full review of fire safety across our estate. Working with the Department of Communities and Local Government (DCLG), we undertook testing of cladding materials from an estate of 132 buildings. Samples from six buildings did not meet the standards as set out in the initial test. Following the initial test, samples from three of the buildings have been submitted for retesting to ensure that the full cladding system (rather than a sample) is subject to test. We expect results in the next few weeks.

Following the receipt of the initial test results, experts from local fire and rescue authorities undertook a detailed inspection of the overall design of all six properties and the safety measures and procedures in place. We took the decision to close one of the buildings, Sky Plaza in Leeds, for the 2017/8 academic year. We worked closely with the two Universities and our customers in Leeds and were able to find alternative accommodation for all affected customers across our estate in Leeds. We thank them for their understanding and support during this challenging period. The local fire and rescue authorities concluded that the remaining five properties remain safe for occupation, subject to some minor improvements that have all been implemented.

The cost of replacing the cladding is expected to be £3–4 million and a provision has been included in the 2017 financial results. If we are successful in claims under build contracts, the cost for Unite could be lower than the provision.

Where cladding needs to be replaced, work is on track and we expect all buildings to be open for the 2018/19 academic year. The loss of income from the closure of Sky Plaza has been reflected in the 2017 results.

The safety of our customers and staff remains our primary responsibility. Our buildings are modern, well maintained and built with advanced fire management specifications, and have rigorous fire safety management and maintenance regimes. We work in partnership with the Avon Fire Authority, as our primary fire authority, in the development of our fire systems and management strategies and have been externally audited by the British Safety Council in the last 18 months.

Richard Simpson
Group Property Director
21 February 2018

Our confidence in our earnings outlook has led us to increase our dividend pay-out to 85% of EPRA earnings in 2018 from the current level of 75%.

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.

	2017 £m	2016 £m
EPRA earnings	**70.5**	62.7
Valuation gains and profit on disposal	**169.2**	136.3
Changes in valuation of interest rate swaps and debt break costs	**(12.3)**	(1.0)
Minority interest and tax included in EPRA earnings	**2.0**	3.4
Profit before tax	**229.4**	**201.4**
EPRA earnings per share	**30.3**	28.4p
Basic earnings per share	**95.3**	101.3p

The increase in profit before tax is primarily the result of a higher level of unrealised valuation gains of £168.1 million being recognised in 2017 compared with the £136 million recognised in 2016. As part of the new unsecured debt facility, the Group cancelled £200 million of interest-rate swaps at a cost of £11.3 million.

Cash flow and net debt
The Operations business generated £63.2 million of net cash in 2017 (2016: £61.3 million) and net debt increased marginally to £803 million (2016: £776 million). The key components of the movement in net debt were the operational cash flow, convertible bond and the disposal programme (generating total inflows of £332 million) offset by total capital expenditure of £288 million, USAF unit acquisitions of £18 million and debt exit costs of £11 million and dividends paid of £42 million. In 2018, we expect net debt to increase as capital expenditure on investment and development activity will exceed anticipated asset disposals.

Dividend
We are declaring a fully covered final dividend payment of 15.4 pence per share (2016: 12.0 pence), making 22.7 pence for the full year (2016: 18.0 pence). All of the 15.4 pence dividend will be comprised of a Property Income Distribution (PID).

Subject to approval at Unite's Annual General Meeting on 10 May 2018, the dividend will be paid in either cash or new ordinary shares (a "scrip dividend alternative") on 18 May 2018 to shareholders on the register at close of business on 13 April 2018. The last date for receipt of scrip elections will be 26 April 2018.

Further details of the scrip scheme, the terms and conditions and the process for election to the scrip scheme will be provided to shareholders with the Annual General Meeting documentation when it is sent to shareholders in March 2018.

Q&A with Joe Lister
Chief Financial Officer and Managing Director of People and Communications

Joe Lister addresses some topical questions from our shareholders

Q During the year you agreed the first unsecured debt facility, what does this mean for the Group?

A In 2017, the Group was assigned an investment grade corporate rating of BBB from Standard & Poor's and Baa2 from Moody's which reflected the strength of Unite's capital position, cash flows and track record. The credit rating underpinned the transition to an unsecured capital structure with a new £500 million debt facility that will reduce the average cost of debt for the Group as it is drawn to fund the development pipeline.

The unsecured facility provides us with greater flexibility and additional firepower to fund our developments. The investment-grade credit rating will make it easier to raise finance in the future.

Q The Group's Loan to Value (LTV) ration seems low at 31%. Why is that?

A The 31% LTV at 31 December 2017 is at the lower end of our target range of maintaining LTV at the mid-30% level. LTV has benefitted during the year from the value growth across the portfolio together with the impact of the conversion of the £90m convertible bond. We expect LTV to return to the mid-30% level as we build out the development pipeline.

Strategic report

FINANCIAL REVIEW CONTINUED

As a result of the quality predictable earnings outlook for the business, we are planning to increase our dividend pay-out to 85% of EPRA earnings in 2018 from the current level of 75%.

Tax and REIT conversion

The Group converted to REIT status and is exempt from tax on its property business, with effect from 1 January 2017. The deferred tax liability relating to unrealised gains on joint venture investments of £20.6 million, which are not exempt from tax, exceeds the deferred tax asset relating to tax adjusted losses carried forward of £11.3 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.

Certain activities, primarily the fees generated from the investment management of joint ventures, are subject to tax which we expect to be in the region of £2–3 million per annum.

Debt financing

The Group has continued to maintain a disciplined approach to managing leverage, with LTV of 31% at 31 December 2017 at the lower end of our target range. The Unite Group plc was assigned 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 the transition to an unsecured capital structure with a new £500 million unsecured debt facility that will reduce the average cost of debt to 3.9% when fully drawn.

Key debt statistics

	2017	2016
Net debt	**£803m**	£776m
LTV	**31%**	34%
Net debt: EBITDA ratio	**6.5**	6.5
Average debt maturity	**5.3 years**	4.9 years
Average cost of debt	**4.1%**	4.2%
Proportion of investment debt at fixed rate	**80%**	100%

LTV improved to 31% at 31 December 2017, from 34% at the end of 2016 as a result of the value growth of the portfolio exceeding the increase in net debt and the impact of the conversion of the convertible bond. 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 greater focus on the earnings profile of the business, we are also now monitoring our net debt to EBITDA ratio, which was 6.5 times in 2017 and we plan to keep this in line with current levels going forward.

Interest rate hedging arrangements and cost of debt

Our cost of debt has come down marginally to 4.1% (2016: 4.2%). Following the shift to an unsecured structure, there is an opportunity to reduce the cost of debt over time as we add new debt to build out the development pipeline, replacing expensive legacy facilities. Following the cancellation of interest rate swaps, the Group has 80% of its share of investment debt subject to a fixed interest-rate (2016: 100%) for an average term of 5.3 years.

Convertible bond

The Group's £90 million convertible bond fully converted into equity in June. The conversion has resulted in a reduction in net debt of £90 million and the issue of 18,593,589 ordinary shares in Unite Group plc. The reduction in net debt has reduced LTV by 4% points. The additional shares were reflected in the calculation of NAV per share in December 2016.

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	2,233	(588)	(33)	1,612	399	10.8%	Infinite	25%
LSAV	1,159	(394)	(24)	741	371	16.0%	2027	50%

USAF and LSAV have continued to perform well in 2017. LSAV's higher total return is driven by stronger yield compression in London. USAF has over £50 million of acquisition capacity following the forward fund acquisitions and will continue to monitor acquisition opportunities. Following the acquisition of the Aston Student Village, LSAV does not have any acquisition capacity. The development phase of the joint venture expired at the end of 2017. Any further acquisitions or investments would require mutual consent from both Unite and GIC.

Unite has increased its share in USAF to 24.6% through the additional units issued from the performance fee and third-party acquisition of £19 million of units during 2017.

Fees
During the year, the Group recognised net fees of £18.4 million (2016: £21.9 million) from its fund and asset management activities as follows:

	31 December 2017 £m	31 December 2016 £m
USAF		
Asset management fee	**10.1**	10.0
Acquisition fee	**0.4**	0.4
Net performance fee	**3.4**	6.5
LSAV		
Asset and property management fee	**4.0**	4.0
Acquisition fee	**0.5**	-
Development management fee	**–**	1.0
Total fees	**18.4**	21.9

* A full breakdown of the net performance fee is in note 3.4(c) of the notes to the financial statements.

The asset management fees from both USAF and LSAV have remained at similar levels to prior years as a result of the valuation growth in the portfolios under management during the year being offset by disposal activity.

A net performance fee of £3.4 million was earned from USAF and this fee was paid in units in early February. The level of the fee is sensitive to movements in property valuations and is therefore lower than in 2016 due to the high level of yield compression in 2015 and 2016.

Responsibility statement of the Directors in respect of the annual financial report
We confirm that to the best of our knowledge:

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

Richard Smith
Chief Executive Officer

Joe Lister
Chief Financial Officer
21 February 2018

Strategic report

RESPONSIBLE BUSINESS REVIEW

Our purpose is to provide a Home for Success for all students, helping them grow and succeed at University and beyond.

At Unite, we have a unique opportunity to help our students adopt responsible living and embed habits that will last a lifetime, encouraging the next generation to make positive social, environmental and economic contributions.

As a company we are committed to being a responsible business in all aspects of our operation, acting with integrity and fairness. We work hard to create a diverse and highly skilled workforce that feels valued and engaged and delivers positive social impact to the communities we operate in, with specific focus on improving access to education. Management and accountability for our responsible business activity is embedded in our day-to-day operations, and our acquisition and development programme, and is overseen by a steering group chaired by our CFO, Joe Lister.

→ Read more about our **Business model on p04**

Our three areas of focus are:

Great Workplace

The Environment

Social Impact

Gender diversity

Total Employees

Senior Management

Board

Joe Lister
Chief Financial Officer and
Managing Director of People
and Communications

Great Workplace
We want Unite to continue to be a great place to work, and we are committed to continuing improvement to ensure this. You can read more about our commitment to our people on p08.

Diversity & Inclusion
In 2017 we hosted the first action group meeting to share our ambition to improve diversity and inclusion within Unite.

Since this original meeting, members of the group have been working hard to identify best practice and assess the priorities for our business. Our initial discussions have focused on LGBT+, disability, women and BAME (Black, Asian, and minority ethnic) groups and our findings will be collated into a road map of activity for 2018, ensuring Unite takes a leading role in inclusion.

Our new Diversity, Equality & Inclusion eLearning course is available through our eLearning Portal and must be completed by all employees. This training ensures that everyone at Unite understands their role in delivering on our ongoing commitment to Diversity, Equality and Inclusion. It is also designed to reinforce our determination to attract and retain the very best people from a variety of backgrounds by creating an environment where everyone feels comfortable to be themselves through respect and encouragement.

Unconscious bias
As part of our commitment to diversity, equality and inclusion, we are employing training tools and workshops to help line managers make better decisions when recruiting, developing and retaining talent. Research has shown that the beliefs and values that we gain from family, culture and experiences heavily influence how we view and evaluate both others and ourselves.

Our new Unconscious Bias workshop is designed to raise awareness of how unconscious bias effects and underpins many of the decisions line managers make in recruitment, and to help them recognise the potential for unconscious bias in their day-to-day responsibilities.

Bristol Pride
Bristol hosted its seventh annual Pride Day in 2017, with Unite as the headline sponsor. Bristol Pride Day was the culmination of a week-long festival in the city celebrating the LGBT+ community and the diversity and inclusiveness of Bristol as a whole.

We were proud to be involved and show our support for the event as headline sponsor, promoting a message of inclusiveness with the 'Room for Everyone' theme. Lots of Unite employees turned out to ensure our presence was a success, while our very own Shaun the Sheep also turned up to show support for the cause.

Health and safety
Health and safety has always been an essential and integral part of our business, but following the tragic events of the Grenfell Tower fire, we have renewed our focus on this critical area. 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, including substance and alcohol misuse. You can read our Health and Safety Committee Report on p72.

Human rights
Unite believes that human rights are universal and recognises 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.

Strategic report

RESPONSIBLE BUSINESS REVIEW CONTINUED

Anti-bribery and corruption
It is important our employees act with the utmost integrity. We have robust anti-bribery and corruption policies and procedures in place and require our suppliers to have the same. We also implement mandatory anti-bribery and corruption training for all employees on an annual basis.

The Environment
We want to reduce our impact on the environment and actively encourage responsible behaviours in our employees, students and suppliers.

Highlights and commitments
In 2017 we continued to improve on our environmental performance. As a result, we were recognised in the 2017 Energy Awards for our Sustainability Engagement Programme, and shortlisted in the 2017 and 2018 EDIE Sustainability Leaders Awards.

We reduced our total carbon emissions by 8.8% from 2016 to 2017 using the UK national grid average emissions intensity (Scope 1+2 location based emissions), from 53,162 tonnes CO_2e down to 48,478 tonnes CO_2e. We also reduced our water consumption by 17% across the business.

We achieved Green Star status in the Global Real Estate Sustainability Benchmark (GRESB) for the third year running, receiving a four-star rating and were ranked second in our peer group. We also retained our listing on the FTSE4Good Index, reflecting improvements in our ESG reporting and disclosure.

We have made significant advances in recycling, with estate-wide rollout of recycling bins in flats and the appointment of a single national contractor for commercial waste. From May onwards, we also began purchasing 100% renewable energy.

Good management
Good management ensures we measure, manage, procure and report effectively on energy and water usage and waste management. In 2017 we simplified our supplier arrangements in order to focus on delivering further efficiencies in 2018. We appointed a single national water supplier, Source for Water, and appointed BIFFA as our single national waste contractor. Working with a single waste-management provider will deliver improvements in consistency and coverage of recycling provision across our estate. It also delivers improved data on waste generation and landfill diversion to help us to continue to improve and report in these areas.

A major achievement in 2017 was an agreement with our electricity supplier Npower to purchase 100% REGO (Renewable Energy Guarantee of Origin certificates) backed renewable energy. We also made further improvements in reporting of our environmental performance by launching a new online reporting system aligned with the new GRI Standards, available in the "Responsibility" section of our corporate website. We also retained our listing on the FTSE4Good index, and improved both our GRESB (Global Real Estate Sustainability Benchmark) and CDP scores.

Efficient buildings
2017 saw the completion of detailed energy surveys of each individual property, highlighting energy efficiency opportunities across the estate. Working with our partners at Sustain, we have developed a bespoke data analysis and modelling tool to help produce fully costed, individual energy efficiency plans for each property, which informs our five-year energy efficiency programme.

In January, we also joined the Innovation Gateway, a network of leading organisations including Universities, committed to finding the best transformational approaches to reducing the environmental impacts of their estates.

During 2017 we also made further progress to improve the environmental performance of our new buildings, through BREEAM's environmental assessment methodology. We appointed 3Adapt to advise on the environmental performance of our new construction projects, and achieved a BREEAM Excellent rating for our Salisbury Court development and BREEAM Very Good ratings for St Luke's View and Millennium View.

We also made significant progress improving the performance of our existing buildings, including:

- Continued installing LED lights and controls as part of our estate-wide LED lighting programme, completing over 120 buildings to date.
- Commenced energy efficiency improvement works to a small number of sites to ensure they comply with the 2018 Minimum Energy Efficiency Standards.
- Retrofitting high-pressure CO_2 air-source heat pumps to provide hot water as part of a major refurbishment of Sidney Webb House.
- installed networked heating and hot water controls system in Waverley House.

Sustainable behaviour
Our Up to uS Sustainability Engagement Programme is now in its fourth year and continues to grow. It was recognised at the 2017 Energy Awards, winning the Behavioural Change & Employee Engagement Award. We are committed to helping our employees and students adopt lasting, responsible living and working habits. Aligned with the NUS Green Impact Awards, the programme uses individual, national and local initiatives to maximise engagement. In 2017 our network of Sustainability Champions worked with over 117 student volunteers, with our city teams achieving 27 NUS Green Impact Awards, including 8 Gold Awards.

Calculation of Market Based Emissions Factor for grid electricity supplied under contract by nPower (for period Jan–May 2017 *before purchasing REGO backed power*)

Energy Source	nPower's residual fuel mix	Carbon Dioxide Emissions for each fuel source (kg/kWh)	Residual Fuel Mix x CO_2 emissions (kg/kWh)
Coal	1.0%	0.9100	0.0091
Natural Gas	79.7%	0.3900	0.3108
Nuclear	0.9%	0.0000	0.0000
Renewables	18.0%	0.0000	0.0000
Other Fuels	0.4%	0.5900	0.0024
Overall market-based emissions factor			**0.3223 $kgCO_2e/kWh$**

Carbon
Contributions

	2015	2016			2017		
	Data	Data	Change vs prior year		**Data**	**Change vs prior year**	
Year-end bed numbers	45,447	48,637	7.02%	Increase	**54,274**	**11.59%**	**Increase**
Carbon contributing bed numbers	43,084	45,926	6.60%	Increase	**46,871**	**2.06%**	**Increase**
Carbon contributing floor area (m^2)	1,097,060	1,282,018	16.86%	Increase	**1,308,738**	**2.08%**	**Increase**

Energy and water consumption

		2015	2016			2017		
		Consumption	Consumption	Change vs prior year		**Consumption**	**Change vs prior year**	
Electricity	Absolute (kWh)	110,948,791	112,513,419	1.4%	Increase	**116,698,699**	**3.7%**	**Increase**
	Relative to bed numbers (kWh/bed)	2,575	2,450	-4.9%	Decrease	**2,490**	**1.6%**	**Increase**
	Relative to floor area (kWh/m^2)	101.1	87.8	-13.2%	Decrease	**89.2**	**1.6%**	**Increase**
Natural gas	Absolute (kWh)	26,977,762	29,075,659	7.8%	Increase	**30,706,741**	**5.6%**	**Increase**
	Relative to bed numbers (kWh/bed)	626	633	1.1%	Increase	**655**	**3.5%**	**Increase**
	Relative to floor area (kWh/m^2)	24.6	22.7	-7.8%	Decrease	**23.5**	**3.5%**	**Increase**
Water	Absolute (m^3)	1,819,569	2,218,231	21.9%	Increase	**1,838,420**	**-17.1%**	**Decrease**
	Relative to bed numbers (m^3/bed)	42.2	48.3	14.4%	Increase	**39.2**	**-18.8%**	**Decrease**
	Relative to floor area (m^3/m^2)	1.659	1.730	4.3%	Increase	**1.405**	**-18.8%**	**Decrease**

Greenhouse gas emissions

		2015	2016			2017		
		Emissions	Emissions	Change vs prior year		**Emissions**	**Change vs prior year**	
Total Scope 1 emissions	Absolute (tonnes CO_2e)	5,373	5,825.12	8.4%	Increase	**5,895**	**1.2%**	**Increase**
	Relative to bed numbers (kg CO_2e/bed)	125	127	1.7%	Increase	**126**	**-0.8%**	**Decrease**
	Relative to floor area (kg CO_2e/m^2)	5	5	-7.2%	Decrease	**5**	**-0.9%**	**Decrease**
Total Scope 2 emissions (location-based)	Absolute (tonnes CO_2e)	52,382	47,337	-9.6%	Decrease	**42,583**	**-10.0%**	**Decrease**
	Relative to bed numbers (kg CO_2e/bed)	1,216	1,031	-15.2%	Decrease	**909**	**-11.9%**	**Decrease**
	Relative to floor area (kg CO_2e/m^2)	48	37	-22.7%	Decrease	**33**	**-11.9%**	**Decrease**
Total Scope 2 emissions (market-based)	Absolute (tonnes CO_2e)	48,489	46,982	-3.1%	Decrease	**20,994**	**-55.3%**	**Decrease**
	Relative to bed numbers (kg CO_2e/bed)	1,125	1,023	-9.1%	Decrease	**448**	**-56.2%**	**Decrease**
	Relative to floor area (kg CO_2e/m^2)	44	37	-17.1%	Decrease	**16**	**-56.2%**	**Decrease**
Total Scope 1+2 emissions (location-based)	Absolute (tonnes CO_2e)	57,755	53,162	-8.0%	Decrease	**48,478**	**-8.8%**	**Decrease**
	Relative to bed numbers (kg CO_2e/bed)	1,341	1,158	-13.6%	Decrease	**1,034**	**-10.6%**	**Decrease**
	Relative to floor area (kg CO_2e/m^2)	53	41	-21.2%	Decrease	**37**	**-10.7%**	**Decrease**
Total Scope 1+2 emissions (market-based)	Absolute (tonnes CO_2e)	53,862	52,807	-2.0%	Decrease	**26,889**	**-49.1%**	**Decrease**
	Relative to bed numbers (kg CO_2e/bed)	1,250	1,150	-8.0%	Decrease	**574**	**-50.1%**	**Decrease**
	Relative to floor area (kg CO_2e/m^2)	49	41	-16.1%	Decrease	**21**	**-50.1%**	**Decrease**
Total Scope 3 emissions (location-based)	Absolute (tonnes CO_2e)	15,489	15,299	-1.2%	Decrease	**17,912**	**17.1%**	**Increase**
	Relative to bed numbers (tonnes CO_2e/bed)	0	0	-7.3%	Decrease	**0**	**14.7%**	**Increase**
	Relative to floor area (kg CO_2e/m^2)	14	12	-15.5%	Decrease	**14**	**14.7%**	**Increase**

- Scope 1 emissions include gas consumption and business vehicles use.
- Scope 2 emissions include grid electricity and heat.
- Scope 3 emissions include supply-chain emissions such as water and paper use, business travel, and energy supply-chain emissions (transmission and distribution losses and well-to-tank emissions).
- Location-based emissions are calculated using DEFRA 2017 emissions factors.
- "per bed" emissions use pro rata bed numbers, taking into account the length of time the site was under our ownership.
- Market-based emissions are calculated using market-based emissions factor based on supplier's stated residual fuel mix shown on the previous page.

RESPONSIBLE BUSINESS REVIEW CONTINUED

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:

Scope 1+2 (location based) $kgCO_2e$ Emissions per bed

Scope 1+2 (location based) $kgCO_2e$ Emissions per m^2 of floor area

MahaDevi Yoga Centre, Stapleton House

Social Impact
We are committed to delivering positive impacts to help young people succeed in further education and build sustainable lives, while supporting the communities we work in.

In 2017, we donated £1.6 million to charities, including the Unite Foundation, and our charity of the year, the British Heart Foundation. We have now exceeded a total of £1 million in giving to charities through facilitated and in-kind donations since we commenced activity in this area in 2014.

2017 has seen our strategic partnership develop extensively with Into University through the development of lifeskills sessions, and the introduction of two community charity partnerships through the use of commercial spaces.

Supporting charitable organisations that align with our Home for Success purpose and our values is very important to Unite. We have a unique opportunity to raise awareness of charitable giving and actions with the future generation of supporters. Working with charities also provide fulfilling engagement opportunities for our employees, students and Universities alike.

Unite Foundation
Unite is the founder of and major donor to the Unite Foundation, a charitable trust established to support talented students facing challenging circumstances through the provision of free accommodation annual scholarships. The Foundation has so far provided scholarships for 250 young people working in close collaboration with 28 Universities, an increase from 10 University partners in 2016. Currently 44 scholars have graduated with support from the Foundation.

Charity of the Year Programme
Each year our city teams and head office nominate local charities to support for the academic year, and work to engage students and employees with the charity through fundraising events and volunteering.

British Heart Foundation
This year we began a partnership with BHF to offer donation stations throughout our properties and offices, giving our students and employees an easy way to recycle their unwanted items, while contributing to a great cause. In its first year of partnership, these donations have raised more than £272,000, providing enough funding for a two-year research programme into overcoming heart disease.

BHF has also worked with us to deliver provide CPR training in all of our 24 cities, training more than 500 students and employees in life-saving techniques.

"We are delighted to be working with Unite Students. On behalf of the BHF I would like to say a huge thank you to everyone who has contributed to the partnership, encouraging your customers to donate their unwanted items for us to sell throughout our network of shops, which so far has help raised an incredible £272,000, which has far exceeded our expectations for the first year. This money will help fund vital research into cardio-vascular disease in Universities across the UK. I look forward to continuing our partnership for the 2017/18 academic year and hearing more about Unite Students' fantastic success."

Mike Taylor
BHF Retail Director

Supporting charities in the community
We know that local charities are having a tougher than ever time with funding. Finding affordable commercial premises that meet the needs of their operation is an uphill struggle for many. In 2017, we worked with two charities, in London and Bristol, to provide suitable premises at a nominal rent compared to the commercial market.

MahaDevi Yoga Centre, Eden Grove Community Centre, London
Mahadevi Yoga offer dedicated yoga therapy treatments to children and adults with special needs. This new centre, located at our Stapleton House building, is the culmination of a partnership between Unite Students and Islington Council. The space we have provided at a reduced rent enables the centre to increase the number of local families they are able to support. The larger premises also provide space for commercial yoga sessions, which funds a bursary to allow low-income families to access the centre's resources.

"We have been delivering this pioneering Yoga Method - Yoga for the Special Child - to families across Islington for the last six years. Our new centre will allow us to offer up to 150 one-to-one sessions per week, that's three times more contact hours than we were able to provide at our previous centre. It's fantastic being able to work with even more people because we know what a difference it makes in our community. We are immensely grateful to Unite Students and Islington Council for supporting us to help so many deserving families across the borough. This initiative really showcases what local business, working with local authorities, can do to help support charities like ours and the wider community."

Denisa Nenova
Founder, MahaDevi Yoga Centre

1625 Independent People, Nelson Drake House, Bristol
1625 Independent People (1625ip) supports young people aged 16–25 who are at risk of becoming homeless or are already homeless. Unite Students has provided premises at a reduced rent to house a new service. 1625ip and Bristol City Council work in partnership to deliver an innovative youth homelessness prevention service which aims to help young people to stay at home with their families as well as learning to live independently.

"This support from Unite Students means we are able to concentrate more resources on helping families to prevent homelessness in the first place and is an excellent example of a successful business caring about and helping with the needs of a city it works in."

Dom Wood
CEO, 1625ip

Volunteering
Volunteering provides a great opportunity for both our employees and our students to engage with local communities in a rewarding way. By providing our resources and expertise to organisations, we can make a tangible difference, while encouraging team building, motivation and engagement among employees. Similarly, our students also develop skills outside the lecture theatre, which they take with them beyond University.

Now in its third year, our employee volunteering programme has gone from strength to strength. Each year, our employees are able 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 5,000 hours to charitable organisations, with an average of 19% of our employees taking part annually.

Lifeskills and preparedness
This year we have begun to trial lifeskills sessions with 16–18 year olds, following feedback from students living with us and our own research insights. The focus of these sessions is to introduce younger students to shared accommodation, and prepare them for the communal living that is common to most University experiences.

More than 100 students have taken part in the trial and the feedback has been overwhelmingly positive. In 2018, we intend to build on this initial first phase, incorporating delivery of these sessions into our employee management training programmes, and developing a peer-led model to allow students already living in shared accommodation to get involved.

Affordability
Unite Students recognises that going to University now represents a big investment for students, and their accommodation is a significant component of those costs. We have a responsibility to ensure that the living environment we offer our students represents good quality accommodation at the best possible value for money.

To meet the students' needs, we offer a choice of room types at different price points, in purpose-built environments, which include common spaces and, wherever possible, a quiet study room and outdoor space. Our proposition further differs from traditional House in Multiple Occupation (HMO) properties, where we believe we represent better value in a number of key areas. These include not charging booking or administration fees, and offering a range of flexible payment plans. Our rents also include a range of value-added components such as all-inclusive utility bills; high-speed broadband access; a fortnightly cleaning service for shared spaces; comprehensive contents insurance; on-site laundry services; 24-hour security; a 24-hour helpline service centre; and discounts with well-known high-street retailers.

In setting our rents, we will continue to routinely work with Universities' accommodation services, through nominations agreements and more widely, to ensure that the living environment we offer our students represents the best possible value for money.

Our 2017 Strategic Report from pages 1–51 has been reviewed and approved by the Board of Directors on 21 February 2018.

Corporate governance statement

CHAIRMAN'S INTRODUCTION TO GOVERNANCE

DRIVING PERFORMANCE THROUGH CULTURE

Phil White
Chairman

Our governance framework continues to support our strategy and ensure our long-term, sustainable success.

This is built on our well-established and long-term University partnerships, which we've developed over more than 25 years operating in the higher education sector.

The Board has overseen the Group's portfolio strategy with a substantial investment in quality properties. This has required delivery of a complex development pipeline on time and to budget, large acquisitions (such as Aston Student Village, our first University partnership transaction secured in 2017) and disposals (such as our portfolio sale and Woburn House, London). This strategy has been well executed, with 85% of our properties now nominated at mid/high-tariff Universities or those ranked Gold or Silver by the Teaching Excellence Framework.

At the same time, the Board has led the roll-out of a broad range of diversity, equality and inclusion initiatives as well as Service Style training. This ensures we keep both our people and our service levels at the highest standard.

The Board has also overseen the transition of our financial structure, with a £500m unsecured facility announced in 2017. This, along with longer-term University partnerships securing revenue and rental growth coupled with our digital operating platform, ensures continued delivery of quality income and sustainable earnings.

The Grenfell Tower tragedy underlines the critical importance of fire safety, something we have always recognised as our biggest safety risk. The Group Board, along with our dedicated Health & Safety Committee, has led a comprehensive fire safety review in the year. We have worked with fire safety experts on the ACM cladding identified on 6 of our properties, with the Committee overseeing our remedial plan see page 41.

Ross Paterson joined the Board as a Non-Executive Director in September. We welcome his valuable FTSE 250 operational and financial experience.

The year ended sadly with the sudden and tragic passing of Manjit Wolstenholme, our Senior Independent Director and Audit Committee Chair. Manjit helped ensure the Group's financial rigour and delivery and will be sorely missed.

The importance of effective governance continues, especially now with the maturing PBSA sector and the broader uncertainties due to Brexit and its impact on the UK's higher education sector, real estate and economy.

Unite's overall governance framework has been designed to help us manage these external and internal changes, enabling the Board to provide the necessary oversight and challenge to secure the Group's long-term success. The following pages offer insight into how we are building on our decades of experience in the sector and creating a sustainable and successful business.

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 2017 and how this is linked to our principal risks. We also describe our governance priorities for 2018. → Read more on **p54**
Leadership	On pages 56 and 57, we describe the composition of the Board and explain their skills and experience. 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 on **p56**
Effectiveness	Page 65 describes how our governance framework ensures the effectiveness of the Board. The results of this year's externally facilitated board evaluation are on page 65. The Nomination Committee report (page 66) describes how we ensure we have the right skills and experience on the Group Board as well as how we develop our future leaders, integral to succession planning. → Read more on **p65**
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 on **p68**
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. The detailed remuneration report (pages 75 to 95) describes how we ensure Executive Director remuneration is designed to promote the long-term success of the Company and how we develop these remuneration policies.
Shareholder relations and engagement	Page 59 describes how we engage with shareholders, which during 2017 included a Capital Markets Day in April, and a second Capital Markets Day in November at Aston Student Village. → Read more on **p59**

Corporate governance statement

CHAIRMAN'S INTRODUCTION TO GOVERNANCE CONTINUED

HOW GOVERNANCE SUPPORTED OUR STRATEGY DURING 2017

Strategic objective	Board's governance role	Link to Principal Risk	2017 Board activity
Quality properties	**Active property recycling** Board oversight on portfolio recycling activity – ensuring value obtained and proceeds recycled efficiently.	→ Read more about **Property market cycle risk on p30**	→ Read more about **Asset disposals on p41**
	Development pipeline Board scrutiny of city and site selection for new developments against backdrop of increasing competition for the best sites. Governance of developments/acquisitions to ensure they run to budget and schedule and are earnings accretive.	→ Read more about **Property/ Development risk on p30**	→ Read more about **Development activity on p39**
Quality service platform	**Health & Safety** As we develop our brand through the implementation of Home for Success, the risk of a health & safety incident damaging our reputation increases. The Board's governance of the health & safety, wellbeing and security of the 50,000 students who make Unite Students their home is critical to the Group's continued success and trusted reputation.	→ Read more about **Operational risk – Major health & safety incident in a property or a development site on p29**	The Board reviews the safety of our students, visitors and employees, as well as contractors at our development sites, at each Board meeting. H&S Committee, a sub-Committee of the Board, focuses on: - **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 **H&S Committee Report on p72**
	PRISM Governance to ensure our market-leading service platform is robust, reliable and also developed further to meet our customers' increasing expectations.	→ Read more about **Market risks – supply and demand on p28**	Board review of our digital strategy. Oversight that PRISM delivers: - a robust booking system - an improved and scalable platform for revenue management and customer engagement - enhanced service levels for both Universities and students - market differentiation. → Read more about **Operations Review on p32**
	Affordability and value for money	→ Read more about **Market risks – supply and demand on p28**	Analysis of the HE accommodation sector and ensuring we continue to offer an affordable and value-for-money product. → Read more about **Affordability on p51**
	Information security and keeping our customers' and employees' personal data safe and secure	→ Read more about **Market risks – supply and demand on p28**	As our engagement with our digital native customers moves increasingly online - and we develop apps to enhance this – it's 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 General Data Protection Regulations (GDPR) and our readiness for when GDPR comes into effect in May 2018. The Audit Committee also reviewed our information security/ GDPR compliance matrix as part of its remit to review our risk management and controls framework.
Quality University partnerships	Board scrutiny of our developments and portfolio recycling to ensure we partner with the right Universities and enhance our long standing relationships.	→ Read more about **Market risks – supply and demand and Property/ Development risk on p28**	Higher Education review and our Growth Strategy having regard to developing new University partnerships transactions. → Read more about **Quality partnerships on p10**

Key

- Quality properties
- Quality service platform
- Quality University partnerships
- Quality people
- Earnings & NAV growth

Strategic objective	Board's governance role	Link to Principal Risk	2017 Board activity
Quality people	**Leadership development & succession planning/ talent pipeline. D&I initiatives**	→ Read more about **Market risks – supply and demand on p28**	The Nomination Committee focuses not only on Board succession, but also our broader talent pipeline and leadership development. → Read more about **Quality people on p09 and Nomination Committee Report on p66**
Earnings & NAV growth	**High-quality, growing earnings** Oversight of operational performance, rental growth and University partnerships transactions along with dividend growth.	→ Read more about **Market risks and Property/ Development risks on p28**	→ Read more about **Quality partnerships on p10**
	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.	→ Read more about **Financing risk – Unable to arrange new debt or expiring debt facilities cannot be replaced or only at high cost. Adverse interest rate movements on p31**	Board oversight on transition to unsecured lending and continued focus on locking in debt at historically low rates for new debt facilities and forward starting interest-rate swaps for future borrowings for secured development pipeline. At the end of 2017: - Loan to value 31% (31 December 2016: 34%) - Average cost of debt 4.1% (31 December 2016: 4.2%) → Read more about **Debt financing and interest rate hedging arrangements and cost of debt on p44**
	Tax strategy/REIT conversion Group Board review of our tax strategy published in 2017. Board oversight of our REIT compliance framework, following our conversion to a REIT at the start of 2017.		Board review of the Group's tax position and strategy. Governance of on-going REIT conditions and headroom for operating within the "Balance of Business" REIT tests.

2018 governance priorities

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

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.	**Financial structure**	Growing our unsecured lending and funding our developments.
Quality service	Fire safety in a post-Grenfell world. Enhancing our digital offering for our digital native customers – where next for PRISM? How should our product proposition evolve? Market differentiation – but focused on affordability and value for money.	**Market dynamics**	Impact of Brexit on higher education and UK plc more generally. How will this impact the maturing PBSA sector? What are the risks – and equally what opportunities – does this bring for Unite?
Quality people	Developing our talent pipeline and future leaders to help ensure a sustainable future. Renewed focus on our diversity, equality and inclusivity initiatives.		

Phil White
Chairman of the Board
21 February 2018

Corporate governance statement

BOARD OF DIRECTORS

Phil White
Chairman

N R

Relevant skills and experience
Phil has served as Chairman since May 2008. He was Chief Executive of National Express Group plc from 1997 to 2006 and led the business through growth in the UK and overseas. He gained extensive executive experience in the public-transport sector during the period of deregulation and privatisation. He is the Non-Executive Chair of Lookers plc as well as a Non-Executive Director of VP plc.

Richard Smith
Chief Executive Officer

H

Relevant skills and experience
Richard was appointed Chief Executive in June 2016. Prior to this, he was Unite's Managing Director of Operations from 2011, a role that involved Richard leading the service provided to our customers, and managing maintenance and facilities management across the Group's portfolio.

Richard joined Unite as Deputy Chief Financial Officer in 2010. Prior to this, he spent 18 years in the transport industry, working in the UK, Europe, Australia and North America. Richard spent 13 years at National Express Group where he held a range of senior finance, strategy and operations roles, including Group Development Director and Chief Financial Officer, North America.

Joe Lister
Chief Financial Officer and Managing Director of People and Communications

Relevant skills and experience
Joe joined Unite in 2002 having qualified as a chartered accountant with PricewaterhouseCoopers. He was appointed as Chief Finance Officer in January 2008 having previously held a variety of roles including Investment Director and Corporate Finance Director. In addition to managing the Group's finance function and investment strategy, Joe is also responsible for People and Communications. Joe is a member of the Council at the University of Essex.

Richard Simpson
Group Property Director

Relevant skills and experience
Richard sets the strategic direction for all aspects of Unite's property portfolio, oversees the fund management of Unite's co-investment vehicles and leads the property development activities. Richard joined Unite in 2005 and has held a variety of senior roles within the Group. He is a qualified chartered surveyor and a Fellow of the Royal Institution of Chartered Surveyors.

Richard has been a Non-Executive Director of CityWest Homes since January 2017.

Andrew Jones
Non-Executive Director

R N

Relevant skills and experience
Andrew Jones is Chief Executive Officer of LondonMetric Property, following the 2013 merger of London & Stamford and Metric. Andrew was a co-founder of Metric and Chief Executive Officer since its inception in March 2010. Andrew's previous roles include Executive Director and Head of Retail at British Land. He joined British Land in 2005 following the acquisition of Pillar Property where he was on the main Board, with responsibilities for their retail portfolio and the Hercules Unit Trust.

Andrew was appointed to the Board in 2013.

Ross Paterson
Non-Executive Director

A R N

Relevant skills and experience
Ross was appointed as a Non-Executive Director in September 2017. He is Finance Director of Stagecoach Group plc, and as a member of Stagecoach's Board is responsible for finance, technology and compliance. In addition, he is a Non-Executive Director and the Audit Committee Chair of Virgin Rail Group Holdings Limited, and a member of the Business Policy Committee of the Institute of Chartered Accountants of Scotland.

Board committee key

- N Nomination Committee
- A Audit Committee
- H Health & Safety Committee
- R Remuneration Committee

● Chairman of committee

Professor Sir Tim Wilson
Non-Executive Director

H A R N

Relevant skills and experience
Tim was appointed to the board in December 2010. He was appointed Knight Bachelor for services to Higher Education and to business in the 2011 New Year's 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 served on the Board of the Higher Education Funding Council for England (HEFCE), was Deputy Chair of the CBI 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.

Elizabeth McMeikan
Senior Independent Director

R A N H

Relevant skills and experience
Liz was appointed a Non-Executive Director in February 2014. She has significant 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 Chairman of the Remuneration Committee at FlyBe plc. She is a Non-Executive Director at import/export fruit and vegetable company, Fresca Group Ltd, and CH & Co Ltd, a privately-owned catering company.

In November 2012, Liz was appointed Chairman of Moat Homes Ltd, a leading housing association working in the South-East.

Chris Szpojnarowicz
Company Secretary

Relevant skills and experience
Chris was appointed Company Secretary and Head of Legal in 2013, 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 that of Head of Legal.

Corporate governance statement

BOARD STATEMENTS

Under the Code, 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 2016 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 2017.	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 2017 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 2020.	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 28 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 31.
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 2017.

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 2018.

The Board, together with its professional advisers, 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 amongst 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 is 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 page 156 to 159.

Results of 2017 AGM

	Resolution	For % Votes Cast	Against % Votes Cast
1	Receive Annual Reports and Accounts	99.9	0.1
2	Directors' Remuneration Report	99.5	0.5
3	Declare Final Dividend	100.0	0.0
4–11	Re-elect Directors	89.8–99.8	0.2–10.3
12	Re-appoint Auditor	100.0	0.0[1]
13	Auditor's Remuneration	100.0	0.0[1]
14	Authority to Allot Shares	87.0	13.0
15	Dis-apply Pre-emption Rights – 1st 5% (general)	100.0	0.0
16	Dis-apply Pre-emption Rights – 2nd 5% (acquisition or specified capital investment)	98.9	1.1
17	Article 94 of the Articles of Association	99.6	0.4
18	Allow General Meeting on 14 days' notice	86.9	13.1

1 0.0001 rounded to 0.0 for consistency

Overview of capital markets day, Aston Student Village, September 2017

Each year we hold a capital markets day to provide financial analysts and investors with further insight into our strategy and business plans.

The 2017 event was held at Aston Student Village, our largest ever acquisition and our first on campus.

Key themes included the importance of our unique University partnerships in delivering growth, the UK higher education landscape, the quality of our current and future property portfolio and how we respond to changing customer needs through our service proposition.

Shareholders by geography

Top Ten Shareholders

Corporate governance statement

LEADERSHIP

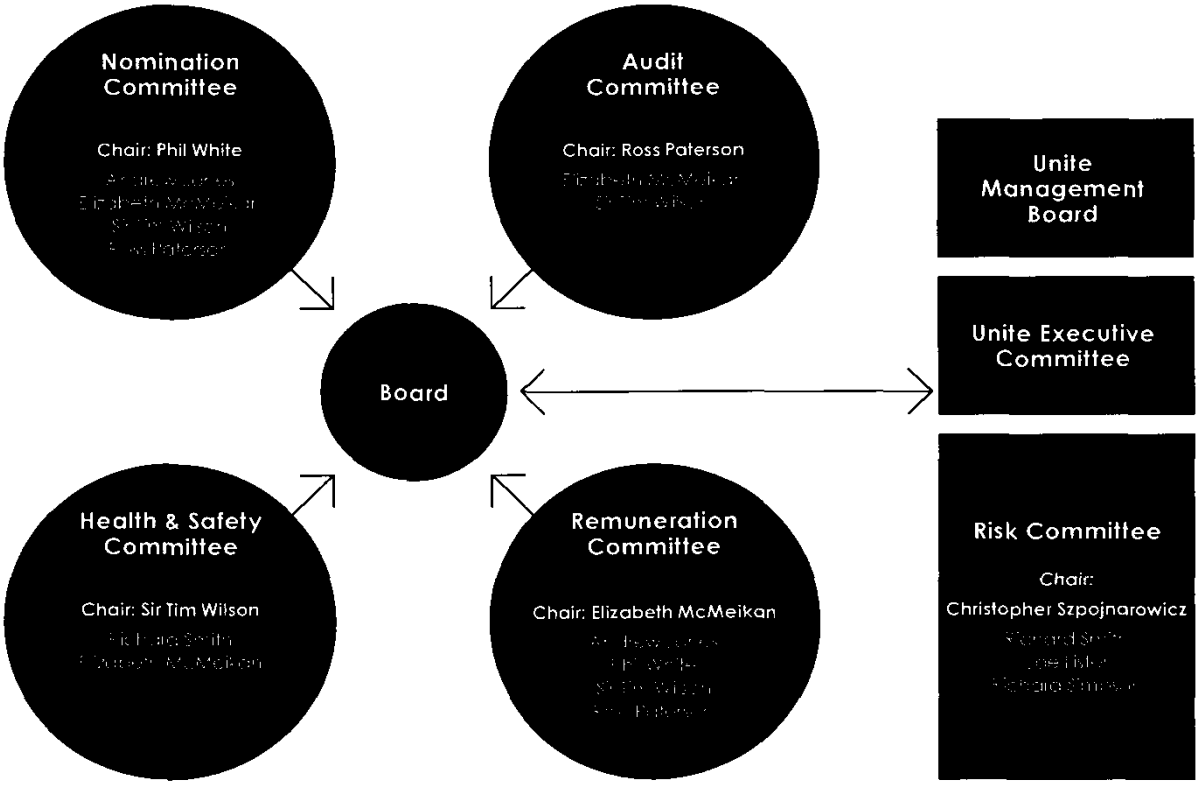
Corporate culture and governance leadership

The Group is home to 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 Students' 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 2017, Unite's Operations Director, Student Experience Director, Head of Digital, Area Managers, Development Director, Funds Director (representing our various co-investment vehicles), University Partnerships Director and Head of Legal & 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 to the implementation of our overall business strategy.

Board structure



→ See the **Nomination Committee Report on p66**

→ See the **Audit Committee Report on p68**

→ See the **Health & Safety Committee Report on p72**

→ See the **Remuneration Committee Report on p75**

The Remuneration Committee Report is incorporated into this Corporate Governance Statement by reference.

How the Board operates
Board operating rhythm – linked to strategy and business oversight
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.

The Board is able to oversee the setting and implementation of the Group's strategy due to a flat management structure; three members are Executive Directors and therefore actively involved in day-to-day implementation. This executive perspective is balanced by five Non-Executive Directors, including the Chairman, who bring a depth and breadth of experience in senior management, higher education, finance, customer service and real estate.

Senior leaders are regularly invited to attend meetings and present to the Board. This provides the Board, and in particular the Non-Executives 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

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.
Operational, property and financial updates	Provide the Board with the necessary information to track the Group's performance and challenge any problems with performance.
Market and Higher Education sector updates	Ensure the Board is equipped with the most up-to-date knowledge and understanding of the industry and environment in which we operate.
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.
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).
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.
Training	Review of the Board's training needs and ensure that the Board is up to date on key legal and regulatory changes. During 2017, this was focused on social media, information technology and Corporate Governance developments.
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 statement

LEADERSHIP CONTINUED

Board activity and annual programme

February	Growth strategy		Property – approval of portfolio sale	Preliminary results		Treasury Policy review	
March	Service style	Post-completion review – review of 2016 property completions	Property - approval of development (Liverpool) and site acquisition (Manchester)		Nomination Committee – leadership, development and succession planning		
May	Development Strategy	Higher Education review	Internal audit plan	Assess auditors	Review internal controls	H & S Committee (Safety priority and KPIs)	
June	Digital/IT strategy	Growth strategy	Half-year valuation preview	Principal risks review			
July	Group Board and H & S Committee - Grenfell Tower/ fire safety review	Interim results					
September	Strategic plan and talent review	Property - approval site acquisition (Leeds) and development (Bristol)	Nomination Committee - Board appointments (Ross Paterson)		Tax review and REIT compliance		
November	Funding growth	2018 budget themes	Sales cycle review and customer demographics	Capital operating guidelines review	Internal Audit (ITSC/GDPR; Procure to Pay; Revenue & Receivables)		
December	Customer satisfaction	Principal risks review - Brexit Readiness Plan	Approve 2018 budget	Prospective year end out-turn	Whistleblowing review Anti-bribery review	Training: Corporate Governance update	H & S Committee (fire safety review)

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

Quality properties | Quality service platform | University partnerships | Quality people | Earnings & NAV growth

* No board activity in January, April, August and October

Composition and appointments
The composition of the Board during 2017 is set out in the table on page 64.

The Board currently consists of the Chairman, three Executive Directors and four Non-Executive Directors.

In accordance with the requirements of the Code, each of the current Directors offers themselves for re-election at the Annual General Meeting to be convened on 10 May 2018. Brief biographies of all the Directors 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.

Board composition

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. Those 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.

Corporate governance statement

LEADERSHIP CONTINUED

Directors' attendance at meetings in 2017

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	9	N/A	3	2	N/A
Sir Tim Wilson	Independent	01 December 2010	9	5	3	2	3
Andrew Jones	Independent	01 February 2013	9	N/A	3	2	N/A
Elizabeth McMeikan	Independent	01 February 2014	9	5	3	2	3
Joe Lister	Executive	02 January 2008	9	N/A	N/A	N/A	N/A
Richard Simpson	Executive	01 January 2012	9	N/A	N/A	N/A	N/A
Richard Smith	Executive	01 January 2012	9	N/A	N/A	N/A	3
Ross Paterson	Independent	21 September 2017	3	2	1	0	N/A
Manjit Wolstenholme[1]	Independent	01 December 2011	8	4	2	2	N/A

1 Passed away, November 2017.

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

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.

Board tenure

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. Ross Paterson, who joined the Board in September 2017, 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 are given the opportunity to meet with representatives of the Company's key advisors.

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. During 2017, we conducted an externally facilitated evaluation. The framework and output from this year's external evaluation is summarised below.

Chairman and Non-Executive Directors
The Board considers each of its four 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.

External Board Evaluation

Conducted by Aretai LLP during Q4, 2017

Approach and Review Framework

- **Based on Corporate Governance Code:** Leadership, Effectiveness, Accountability, Remuneration and Relations with Shareholders
- **A 360 degree perspective:** interview feedback from all Board members and external advisers; Board and Committee meeting observation; documentation review
- **Core areas of Board business and focus:** strategy and business performance, people and talent, risk management, core governance and compliance, strategic investments/ divestments
- **Relationships and communication:** quality of discussion and decision making processes, raising and handling of difficult issues, Board/Executive Team interaction.

Outputs

What the Board does well
- Respect and value the diverse skills and perspectives of each other. Strong belief that the whole is greater than the sum of the parts
- Good debates and reaches consensus on the business issues facing the Group. Confidence that the quality of discussion results in the Group following the best course of action
- Clear engagement with strategy, values and people and commitment to continuous improvement in operating as a Board.

The future
- Important to be bold and take necessary action to maintain market leadership
- Be purposefully challenging and actively guard against complacency.
- Develop plan for future succession to ensure resilience and sustain the Board's positive culture and leadership.
- Continued refinement of performance metrics – transparency, alignment and rigour (both financial and non-financial)
- Evolving landscape for remuneration and corporate culture
- Nurture the overall "health" of the Board; look after what it values - the balance of the Board and its positive, collaborative culture.

Corporate governance statement

EFFECTIVENESS: NOMINATION COMMITTEE REPORT

Succession planning and talent pipeline development continued as a key area of focus for the Committee. This extends to developing high-performing individuals beyond the Board to help secure the business's long-term sustainability.

Phil White
Chairman

Nomination Committee Chair's overview
The Committee's focus this year has been on our talent development and succession planning. The Committee mapped the business's strategic objectives and growth ambitions against our wider leadership and high performing high-potential individuals. Where gaps are identified, the Committee ensures a suitable programme is in place to deliver our leaders of tomorrow with the right skills and experience.

The year ended sadly with the sudden and tragic passing of Manjit Wolstenholme, our Senior Independent Director and Audit Committee Chair. Manjit had been instrumental to the sustainable growth and financial delivery of the business over the last six years we had the pleasure of working with her, and she will be sorely missed. The Committee decided to wait until the New Year before it considered potential appointees for these two key positions. Following a review in January 2018, Elizabeth McMeikan and Ross Paterson were appointed as our Senior Independent Director and Audit Committee Chair respectively. I am confident they will be able to continue the excellent work that Manjit had done.

Phil White
Chair – Nomination Committee
21 February 2018

Committee overview
Composition
The Committee is comprised entirely of Non-Executive Directors. The members of the Committee are set out on page 60 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 2017
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 6 years and to help ensure orderly succession planning, the Committee believed it was timely to consider an additional Non-Executive Director. The Committee felt that someone currently serving as an Executive Director in a listed business with strong financial expertise would be a useful addition to the Board. Based on this remit, the Committee led a recruitment process, which resulted in the appointment of Ross Paterson in September 2017.

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-potential, high-performers.

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

Beyond the boardroom and within Unite Students more generally, we have continued to review our approach to diversity, equality and inclusion during 2017. 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 2017, our D&I initiatives have focused on:

- Launching our Diversity in Action Group led by, and for, employees
- Widening our recruitment channels to bring in increased diversity
- Training all recruiting managers and the resourcing team on unconscious bias, to ensure that we are recruiting the best person for the job
- Introduced Diversity, Equality and Inclusion eLearning for all employees, to be repeated annually
- 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 short list
- Working 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

In 2018, we will focus on:

- Development and growth of our Diversity in Action Group
- Focus groups and Pulse Surveys across the organisation to understand more about our employee needs
- Launch of Women's Network followed by further networks as appropriate
- 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% female in leadership roles by 2020. We are currently at 37%.

→ Read more about **Diversity and inclusion on p47**

As regards to the Board itself, the Nomination Committee considered during 2017 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.

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 mis statement.

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 Board (the Management 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 page 4 and 5 of the Strategic Report.

Corporate governance statement

ACCOUNTABILITY: AUDIT COMMITTEE REPORT

Ross Paterson
Chairman

During the year, the Audit Committee continued its key oversight role for the Board with its 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.

Following the extremely tragic and sudden death of Manjit Wolstenholme on 24 November 2017, Ross Paterson was appointed to the role of Chair of the Audit Committee on 1 February 2018. Ross is the current Finance Director at Stagecoach Group plc, a member of the FTSE 250, he also chairs the Audit Committee at Virgin Rail Group Holdings Limited so is well placed to chair the Audit Committee of the Group.

The Committee is very grateful for Manjit's effective chairmanship and contribution to the work of the Committee.

Audit Committee Chair's overview
During the year, the Audit Committee continued its key oversight role for the Board with its 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.

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 Committee reports regularly to the Board on its work.

During 2017, the 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 enhanced requirements from 2015 under the Corporate Governance Code.

The Committee also determined the focus of the Group's internal audit activity and reviewed its findings and verified that recommendations were being appropriately implemented. 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 2017, the Audit Committee undertook the second 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 2018.

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 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 and at the Annual General Meeting, and can also be found 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 Committee are set out on page 60 of this Corporate Governance Statement. The Committee members are all independent Non-Executives and have been selected with the aim of providing the wide range of financial and commercial expertise necessary to fulfil the 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, the Deputy Chief Financial Officer and the Group Financial Controller.

I also invite our external auditor, Deloitte, to each meeting. The 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.

Committee meetings
The Committee met five times during the year and attendance at those meetings is shown on page 64 of this Corporate Governance Statement.

Main activities of the Committee during the year
Meetings of the 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 Committee and matters of particular relevance to the Board in the conduct of its work. At its five meetings during the year, the Committee focused on the following activities.

The Committee reviewed the half-year and annual financial statements and the significant financial reporting judgements. As part of this review, the 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 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 2017. During the evaluation process the 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 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 Committee, in relation to financial reporting in respect of the year ended 31 December 2017, 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 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 31), business model and strategy (as described on pages 4 and 5 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 Committee considers reports from the Group Financial Controller and also reports from the external auditor on the outcomes of their half-year review and annual audit. As a Committee, we support Deloitte in displaying the necessary professional scepticism their role requires.

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

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 2017 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 discuss the underlying performance of each asset with the external valuers and provide 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 Group Property Director prior to sign-off.

Corporate governance statement

ACCOUNTABILITY: AUDIT COMMITTEE REPORT CONTINUED

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 Committee questioned the external valuers on market trends and transactional evidence that supports the valuations. The Committee was satisfied that the Group's valuers were appropriately qualified and provided an independent assessment of the Group's assets. The 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.

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

Further analysis and detail on asset valuations is set out on page 36.

REIT compliance
With effect from 1 January 2017, the Group converted to REIT status. 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 2017 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 17 and November 17 distributions to ensure that the PID requirement will be satisfied. The combined PID from the distributions made during 2017 comprise 78% of the Group's forecast tax-exempt property rental business profit, leaving a small amount that can be paid as part of the May 2018 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 Committee considered this and agreed there was no material change and accordingly it was appropriate to continue to account for USAF and LSAV as a joint venture under IFRS 11, with Unite recording its 24.58% 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 Committee.

Our work here was driven primarily by performing an assessment of the approach taken by the Group's Risk Committee, chaired by Joe Lister, Chief Financial Officer. The Risk Committee is responsible for the delivery of the Group's Risk Management Framework, which the 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 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 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 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 their 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 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 Committee considered and approved the scope of the internal audit activity to be undertaken during 2017 and looking forward on a twelve month basis to ensure that the internal audit approach is more adaptable to the risk environment. The 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 revenue and receivables, procure to pay, project management and IT service continuity. All areas of internal audit were being reviewed for the first time in 2017, aside from procure to pay, and, 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 2017 financial year, the significant risks identified were in relation to one valuation of properties, REIT compliance, revenue recognition, management override, and the classification of joint ventures. These focus areas were discussed at the 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 2017 financial year, the 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 Committee meeting to provide additional opportunity for open dialogue and feedback from the 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 Committee process.

Independence and external audit tender
The 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. The Group put the external audit out to tender in May 2015 and appointed Deloitte as the external auditor following a robust review; the 2015 year-end was the first year with Deloitte as the Group auditor and as such we are in year three of the audit cycle with Deloitte in 2017.

The 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 Committee that it maintained appropriate internal safeguards to ensure its independence and objectivity. As part of the Committee's assessment of the on-going independence of the auditor, the 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 2017 following completion of the 2016 audit.

The Committee confirms compliance with the provisions of CMI 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 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 2017, Deloitte acquired a consultancy business, Market Gravity, which at the time had already been engaged to provide advisory services to the Group. Market Gravity's work with the Group related to supporting the services offered to our students and as such did not constitute any management decision making or financial reporting which the Audit Committee therefore felt comfortable to approve this work to continue. Subsequent to their acquisition and the initial activity detailed above, the Audit Committee gave their approval for the second and third phases of the work.

The combined fees for the non-audit services performed by Deloitte, were £0.4m which virtually all related to the Market Gravity work referred to above. During the year, Deloitte charged the Group £0.3 million for audit services. While the level of non-audit fees is greater than the audit fees charged to the Group, the Committee is comfortable that the auditor's objectivity and independence has not been compromised due to the nature of the work undertaken by Market Gravity not involving management decision-making, preparation of financial data or the design and implementation of internal controls.

The Committee approved the fees for audit services for 2017 after a review of the level and nature of work to be performed, including the impact of the convertible bond, REIT conversion 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.

Committee evaluation
The 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
21 February 2018

Corporate governance statement

ACCOUNTABILITY: HEALTH & SAFETY COMMITTEE REPORT

Health and safety is a cornerstone of our business – providing quality, secure homes for our students. It came into even sharper focus in 2017 as we responded to the impact of the Grenfell Tower tragedy.

Sir Tim Wilson
Chairman

Health and Safety Committee Chair's overview

Fire has always been identified as our biggest safety risk and the Grenfell Tower tragedy underlines the critical importance of effective health and safety governance. There are always lessons to be learnt and room for continuous improvement. The Health and Safety Committee is committed to ensuring this happens within our business.

Immediately after the Grenfell Tower tragedy, we undertook a fire safety review of all our properties. This identified Aluminium Composite Material (ACM) cladding on 6 of our properties. We worked with the DLCG, local fire services and fire safety experts to ensure the safety of these properties in light of the fast developing circumstances. This activity was co-ordinated with our Primary Fire Authority, the Avon Fire & Rescue Services, to ensure we implemented an appropriate and co-ordinated response. This resulted in us closing one of our properties (Sky Plaza in Leeds), removing the ACM cladding on two other properties (Waverly House, Bristol and Concept Place, Leeds) and working with the local fire services and fire safety experts on the right remedial plans for the others.

Alongside this fire safety work, we also embarked on a bold student safety campaign. This targeted student fire safety, alcohol awareness and student personal safety. More on this student safety campaign below.

Unite Students is home to 50,000 young people. For many, this is their first time living away from home. As such, it is crucial that health and safety is at the heart of everything we do to ensure the safety and wellbeing of all our customers, employees, contractors and other visitors to our properties.

Sir Tim Wilson
Chair – Health and Safety Committee

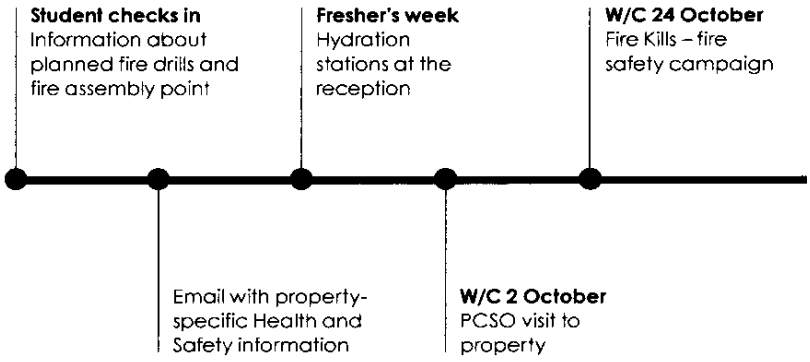
Committee overview
Composition
- Sir Tim Wilson (Chair)
- Elizabeth McMeikan
- Richard Smith

Role
The role of the Health and 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 2017
Fire Safety
Following Grenfell and the heightened focus from regulatory authorities on fire safety, we carried out additional fire safety inspections of our properties and subsequently assembled a team to complete actions in light of learnings from the Grenfell Tower tragedy. In addition, we are working with The British Safety Council (our safety auditor) to obtain assurance of our end-to-end processes. Additional fire safety training is being carried out across all our teams, again building on the lessons learned from Grenfell.

Student safety campaign timeline



Content campaign
Student Life Hub/Social Media/Digital screens

Student safety campaign
During 2017, we launched a student safety campaign. This focused on fire safety, alcohol awareness 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.

The aim of the alcohol awareness campaign was harm reduction, with bottles of water provided to students on their way out to promote safe drinking and destigmatising drinking soft drinks on a night out. We ran a Student Personal Safety Week during the week of 2 October 2017. We saw a marked reduction in alcohol and safety-related incidents via AIMS (our Accident and Incident Management system).

External 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 2017, The British Safety Council completed an Interim Review of their 2016 'Five Star Occupational H&S Audit'. The primary objective of this interim review was to determine the progress made by the organisation in respect of areas that required 'significant' improvements. The review was carried out through a desktop-based process which involved detailed discussion with the Health and Safety team and sampling of relevant documentation. This review showed we are making steady improvements in our Health and Safety Management System and safety culture; however there are still several areas that require attention in order to see an increase in the score for the next audit, scheduled for May 2018.

Corporate governance statement

ACCOUNTABILITY: HEALTH & SAFETY COMMITTEE REPORT CONTINUED

Crisis management
During the year, we refreshed our crisis management procedures, including our Crisis Management Plan, Incident Management Plan and Crisis Communications Plan to ensure they keep up to date with emerging threats and risks. As part of this refresh, we also conducted some live crisis management tests, both in our head office in Bristol and in another city, to really challenge the effectiveness and resilience of our crisis management procedures. This provided some valuable learnings. We will continue to run crisis management tests with different scenarios, to help us prepare as best as possible for crisis events. We are also including our city team Supervisors and ECC (Emergency Contact Centre) teams in the next roll-out of training on the procedures.

Mental health and wellbeing
Mental health issues are an increasing concern for the Higher Education sector and also to 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 provide support to employees and students alike and work closely with University support teams.

Incidents
Incidents involving our employees, customers or visitors:

- Five reportable injuries (under RIDDOR) involving employees and customers (classed as members of the public)
- 310 minor (non-reportable) incidents - involving employees, customers and contractors.

In our development activity during 2017, there were four RIDDOR reportable incidents and 13 minor incidents. This performance is within our Unite Students internal benchmarks – beating the industry standard – as follows:

Incidents	KPI*	Benchmark
4 RIDDOR	0.24	0.30
13 Minor	0.79	5.00

* KPI calculated as: No. of incidents worked x 100,000 hours/hours worked

1.6 million hours worked delivering positive results against our KPIs.

Priorities for 2018
Fire safety
Fire safety continues to be a priority across the business. Our existing fire training offering has been improved with renewed fire safety e-learning and classroom style training for our employees. The Health and Safety team are working closely with the Estates team and City teams to ensure any remedial work highlighted in Fire Risk Assessments and Health and Safety Inspections are completed within designated timescales.

Employee wellness
This year will see a focus on employee wellness including a renewed approach to DSE (Display Screen Equipment) training and workplace assessments. We have also proposed a series of employee health and wellbeing initiatives in a joint campaign with the HR team.

Asbestos and water hygiene
The Health and Safety team, alongside the Estates team, will be updating our Water Hygiene procedures, training and assessments. The Group Asbestos Register is also being reviewed and employees will receive training on any asbestos hazards present in their properties.

Accident and incident reporting
We will conduct a review of our AIMS (Accident and Incident Management System) to ensure we are using the most effective system to capture accident and incident-related information required by the business. We will also roll-out training to city teams that focuses on the accuracy of reporting and the importance of thorough accident/incident investigation.

Upskilling of City team supervisors
Our City team supervisors will receive training on our incident management plans and dealing with the 'scene' of an incident. In addition to this, our service and safety supervisors will receive conflict management training and counter-terrorism awareness training.

Sir Tim Wilson
Chairman
21 February 2018

Total reportable incidents to date 2017

Project	Man Hours	Reportable Incidents	Non Reportable Incidents
Tara House	292,537	1	0
St Leonards	190,717	0	2
Millenium View	213,099	0	3
Chaucer House	139,581	0	0
International House	173,924	0	0
St Vincents	78,740	2	2
Skelhorne	39,729	1	4
Brunel	48,835	0	2
Beech House	107,882	0	0
Lutton Court	159,562	0	0
Newgate	95,592	0	0
Durham	58,800	0	0
Durham Hoghall	45,360	0	0
Totals	**1,644,358**	**4**	**13**

ANNUAL STATEMENT OF THE CHAIR OF THE REMUNERATION COMMITTEE

DIRECTORS' REMUNERATION REPORT

Elizabeth McMeikan
Chair

Ensuring Directors' remuneration is aligned to the performance of the business and shareholders' interests.

Dear Shareholder,
On behalf of the Board, it is my pleasure to present the Directors' Remuneration Report for 2017.

As in previous years, this report is split into three sections: this Annual Statement, the Policy Report and the Annual Report on Remuneration. Our remuneration policy, detailed on pages 79 to 85, remains consistent with that approved by shareholders at the last binding vote at the 2016 AGM, and is reproduced in full for both ease of reference and in order to provide context to the decisions taken by the Committee during the year.

As evidenced by the operational and financial highlights earlier in this report, 2017 was another strong year for Unite. Financial performance was headlined by 7% and 11% increases in EPRA EPS and NAV respectively, with a further reduction in our LTV and 4.7 pence increase in our annual dividend. A £100 investment in Unite shares in December 2014 was worth £180 as at year end, far exceeding the £111 for a similar investment in the FTSE 350 Real Estate 'Super Sector' Index. From an operational perspective, both our customer satisfaction and Higher Education trust scores increased this year, leaving the Group well placed to achieve its stretching three-year targets in these areas.

In light of this, the Committee's key decisions during the year related to the following areas:

Annual bonus outcomes for the financial year
Executive Directors will each receive bonuses of 63.6% of maximum opportunity in respect of 2017 performance. Overall bonus outcomes reflect solid financial performance by the Group and the contributions made by each of the Executive Directors over the last year.

The overall 2017 bonus outcome was above target, with strong financial performance under the Earnings Per Share (EPS) and Total Accounting Return (TAR) elements offset slightly by the net debt to EBITDA element coming in just in line with threshold. On the non-financial element, performance under both the customer satisfaction measure and the newly introduced University reputation measure was in line with plan – a strong outcome against what the Committee recognises as particularly stretching targets. Finally, and reflecting significant progress in their new and expanded roles, each Executive Director was rated as 'Above Target' for the purposes of the personal performance multiplier (1.1x cf. the maximum 1.2x multiplier).

Further details, including annual bonus targets, outcomes and details of personal achievements, are included on page 78.

ANNUAL STATEMENT OF THE CHAIR OF THE REMUNERATION COMMITTEE CONTINUED

Long-term incentives
Executive Directors were each granted an award under the LTIP in April 2017 based on performance over the three financial years to 31 December 2019. These awards will vest to the extent that challenging EPS, TAR and relative Total Shareholder Return (TSR) targets are achieved over the period, with any award vesting required to be held for an additional two-year period.

Performance share awards made in April 2015 vested on performance to 31 December 2017. These awards were similarly based on EPS, TAR and TSR outperformance of the FTSE 350 Real Estate 'Super Sector' Index. Over the three-year performance period, the Company exceeded maximum targets for the relative TSR and TAR elements and ended just under the stretch target for the EPS element, resulting in 96.14% of the original award vesting. The Committee is satisfied that this vesting level reflects the underlying performance of the Company and the progress made over the last three years. Consistent with the rules of the plan at the time of grant, these awards shares will vest in tranches with two-thirds released on the third anniversary of grant in April 2018, and the remaining one-third being released after a further year-long holding period. This is the final LTIP award outstanding which is subject to this phased vesting approach, with all subsequent awards subject to the mandatory two-year holding period introduced during the last policy review.

Overall pay for 2017
The Committee is satisfied that overall pay outcomes are appropriate and reflect Unite's performance across the various time horizons covered. Fixed pay levels are competitive but not excessive when taking into account similar roles at comparable companies, individual contributions, experience and overall levels of responsibility. Annual bonus outcomes reflect another solid year, with strong financial, operational and individual performance leading to an overall outcome of 63.6% of maximum. This compares favourably with 2016 (43.4% of maximum) but is below the outcomes in 2013, 2014 and 2015, which the Committee believes is appropriate taking all factors into account. Vesting of the 2015 LTIP – which constitutes the largest part of each Executive Director's single figure for the year – reflects strong financial and operational performance, and further significant value creation over the three-year measurement period.

Implementation of policy for 2018
The Committee has reviewed the current remuneration policy and is confident that it continues to effectively support Unite's short- and long-term strategic objectives and promote management and shareholder alignment.

For 2018, the annual bonus will operate on the same basis as last year, with a maximum opportunity of 144% of salary and performance assessed against a corporate scorecard of key financial and non-financial measures and an individual performance multiplier. The operation of the LTIP will be similarly unchanged, with awards of 200% of salary vesting based on stretching three-year EPS, TAR and relative TSR targets and a mandatory two-year holding period applying.

Further details, including proposed salary and fee increases, are included on page 83.

Areas for future consideration
The 2019 AGM will mark the third anniversary of the adoption of the current Directors' Remuneration Policy and, in line with UK reporting regulations, Unite will need to submit a new Policy to shareholders for approval at this time. Given this, the Committee is planning to conduct a full review of the existing remuneration arrangements over the course of the year and will look to engage major shareholders to seek their input in due course. The review will take into account recent market trends and developments in best practice, with the ultimate aim of ensuring the Company's remuneration arrangements are able to attract, motivate and retain executives of the calibre required to continue to deliver against Unite's longer-term strategy.

Elizabeth McMeikan
Chair of Remuneration Committee

Overview of Unite Remuneration Policy and implementation

	Overview of policy	Remuneration in respect of 2017	Implementation of policy in 2018
Base salary	- 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 Director	- Salaries increased by 2% effective 1 March 2017, as follows: • CEO, Richard Smith = £438,600 • CFO, Joe Lister = £357,000 • Group Property Director, Richard Simpson = £331,500	- Salaries increased by 2% in line with the broader employee population effective 1 March 2018, as follows: • CEO, Richard Smith = £447,370 • CFO, Joe Lister = £364,140 • Group Property Director, Richard Simpson = £338,130
	→ Read more on **p80**	→ Read more on **p87**	→ Read more on **p91**
Pension, benefits	- Pension contributions of up to 20% of salary or an equivalent cash allowance - Benefits typically consist of the provision of a company car or a car allowance, and private health care insurance	- In line with policy	- No change to pension contribution rates or benefits for 2018
	→ Read more on **p80**	→ Read more on **p87**	→ Read more on **p91**
Annual bonus	- Maximum annual bonus opportunity for all Executive Directors of 144% of salary - Performance measures typically include both financial and non-financial metrics, as well as the achievement of individual objectives - Payments delivered in cash, except where an individual has not met their shareholding guidelines, in which case up to 50% is deferred in shares for three years - Malus and clawback provisions apply	- Annual bonuses of 63.6% of maximum opportunity for each Executive Director based on: • a Corporate scorecard outcome of 83.2% of salary (out of 120%) • Individual performance multipliers of 1.1x (cf. 1.2x maximum) - Bonuses to be paid in cash in early 2018 as each Executive Director has met their shareholding guidelines	- Maximum annual bonus opportunities to remain at 144% of salary - Payments to be determined taking into consideration a Corporate scorecard based on 75/25 on financial/non-financial performance, and after applying an individual performance multiplier of up to 1.2x
	→ Read more on **p81**	→ Read more on **p87**	→ Read more on **p91**
LTIP	- 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	- 2015 LTIP vested at 96.14% based on: • 2017 adjusted EPS of 30.3 pence vs. a stretch target of 31.5 pence • Total Accounting Return over the period 2015–17 of c.21% p.a. vs. a stretch target of 15% p.a.; and • Relative TSR outperformance of the FTSE 350 Real Estate Index of 17.3% p.a. vs. a stretch target of 9% p.a.	- Awards of 200% of salary to be made to each Executive Director in April 2018 - Performance to be measured over the period 1 January 2018 to 31 December 2020 against EPS, Total Accounting Return and relative TSR - Two-year holding period will apply to vested shares
	→ Read more on **p81**	→ Read more on **p89**	→ Read more on **p92**

Corporate governance statement

ANNUAL STATEMENT OF THE CHAIR OF THE REMUNERATION COMMITTEE CONTINUED

2017 Remuneration at a glance
2017 Single total figure of remuneration for current Executive Directors

	Richard Smith	Joe Lister	Richard Simpson
Salary	437,167	355,833	330,417
Taxable benefits	16,089	16,255	16,065
Pension benefit	84,506	63,156	58,645
Annual bonus	401,407	326,726	303,389
LTIP	476,619	528,296	476,619
Other	–	2,249	4,500
Total	**1,415,787**	**1,292,515**	**1,189,634**

2017 Annual bonus outcomes
Corporate targets

Measure	Weight	'Threshold' 50% of salary	'Target' 70% of salary	100% of salary	'Stretch' 120% of salary	Actual	Vest (% salary)	Corporate vesting
Adjusted EPS	25%	27.8p	29.0p	30.7p	31.9p	30.3p	23.2	
TAR per share	25%	47p	54p	61p	67p	93p	30.0	
Net debt to EBITDA ratio	25%	7.1x	6.9x	6.6x	6.3x	7.1x	12.5	83.2%
Customer satisfaction	12.5%	80	81	82	84	81	8.8	
University Reputation	12.5%	79	80	81	82	80	8.8	

Overall

Executive	Corporate vesting	Personal multiplier	Overall bonus outcome % of salary	% of maximum	£
Richard Smith		1.1x	91.52	63.6	401,407
Joe Lister	83.2%	1.1x	91.52	63.6	326,726
Richard Simpson		1.1x	91.52	63.6	303,389

2015–2017 LTIP outcomes
Targets

Measure	Weight	Threshold 25% vest	Stretch 100% vest	Actual	% vest	Overall % vest
2017 Adjusted EPS	1/3	23.7p	31.5p	30.3p	88.4	
TAR p.a. (2015–2017)	1/3	9%	15%	21%	100	96.14
Relative TSR outperformance	1/3	Index	Index +9% p.a.	Index +17.3% p.a.	100	

Overall vesting

Executive	Overall % vest	Interests vesting	Date vesting	Estimated value (incl. dividends)
Richard Smith		62,665	2 April 2018 (2/3)	£476,619
Joe Lister	96.14	69,314	2 April 2019 (1/3)	£528,296
Richard Simpson		62,665		£476,619

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 87 to 95), scheme interests awarded during the financial year (page 90), payments to past directors (page 91), payments for loss of office (page 79) and the statement of directors' shareholdings and share interests (pages 93 to 95). The remaining sections of the report are not subject to audit.

Unite's Remuneration Policy was approved by shareholders at the 2016 AGM on 12 May 2016. The report below, save for a number of minor changes, is as disclosed in the 2016 Directors' Remuneration Report, which is available to download from the Company's website at www.unite-group.co.uk/investors. The following changes have been made:

- References to financial years have been updated where appropriate
- Pay for performance scenario charts have been updated to reflect 2018 salaries
- Current Non-Executive Director appointment expiry dates have been updated

Directors' Remuneration Policy
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, while 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
- 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.

This section of the report sets out the Policy for Executive Directors which shareholders approved at the 2016 AGM and which came into effect from that date.

Corporate governance statement

DIRECTORS' REMUNERATION POLICY CONTINUED

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[1], 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. This was the case for salary increases awarded during the course of 2016.	None
Pension To provide an opportunity for executives to build up income upon retirement.	All Executive Directors 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.	Executive Directors receive a pension contribution of 20% of salary or an equivalent cash allowance.	None
Benefits To provide non-cash benefits which are competitive in the market in which the executive is employed.	Executive Directors receive benefits which consist primarily of the provision of a company car or a car allowance, and private health care insurance, although 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 a 20% discount.	Savings are capped at the prevailing HMRC limit at the time employees are invited to participate.	None

1 Remuneration peer companies have historically included the constituents of the FTSE 350 Real Estate Index and UK-listed companies of similar market capitalisation. The Committee reviews comparator groups periodically to ensure they remain appropriate and retains the discretion to change companies.

Function	Operation	Opportunity	Performance metrics
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. The scheme has two elements: a 'corporate' element and an 'individual' multiplier element. At the end of the year, the Remuneration Committee determines the extent to which targets have been achieved. Bonus payments are delivered in cash unless an individual's shareholding requirements have not been met, in which case up to 50% of the annual bonus payable to the relevant Executive Director is satisfied by an *allocation of shares in the* Company, which are held in its 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 144% of base salary, comprising: - A maximum bonus under the corporate element of 120% of salary; achieving on-target performance warrants a bonus equivalent to 70% of salary. - A maximum multiplier under the individual element of 1.2, with a range of 0 to 1.2. For Threshold level performance, the bonus will be 50% of base salary.	Performance is assessed on an annual basis, *as measured against specific objectives set at the* start of each year. The measures typically include both financial and non-financial metrics as well as the achievement of personal objectives. Corporate measures will be weighted appropriately each year according to business priorities. Measures may include, but are not limited to, adjusted EPS, Total Accounting Return growth, the ratio of net debt to EBITDA and customer satisfaction. Weightings of individual measures may vary between 10% and 50%, with the range of performance required under each measure calibrated with reference to Unite's internal budgets. Financial measures will make up at least 75% of the total opportunity under the corporate element. The individual element is based on the Committee's assessment of an Executive Directors' personal performance over the course of the year, as measured by the Performance Development Programme review. 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. Further details of the measures, weightings and targets applicable are provided on pages 81, 87 and 91.
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 £10,000 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.	Vesting of LTIP awards is subject to continued employment and performance against three equally-weighted measures, which are currently as follows: - Adjusted Earnings per Share (EPS) - Total Accounting Return (TAR) and - Relative Total Shareholder Return (TSR) The Committee has the discretion to adjust the performance measures to ensure that they continue to be linked to the delivery of Company strategy. Under each measure, threshold performance will result in 25% of maximum vesting for that element, rising on a straight-line basis to full vesting. Awards made under the LTIP will have a performance period of at least three years and a minimum vesting period of three years. 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 mandatory holding period following the end of a three-year vesting period. The Committee's intention is that, under future LTIP cycles, 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 targets to be used in future LTIP grants are included in the Annual Report on Remuneration.

Corporate governance statement

DIRECTORS' REMUNERATION POLICY CONTINUED

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.

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 (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 Total Accounting Return (also 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 also 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 Executive Director will be subject to deferral into shares and are transferable to the Executive Director after three years. Details of the Executive Directors' current personal shareholdings are provided in the Annual Report on Remuneration.

Malus and clawback

Awards under the Performance Related Annual Bonus and the LTIP are subject to malus and, from 2016, clawback provisions which can be applied to both vested and unvested awards. 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 and errors in calculating the award vesting outcome.

Non-Executive Director remuneration

NED	Date of service contract
P M White	10 January 2009
R J T Wilson	1 December 2010
A Jones	18 October 2012
E McMeikan	13 November 2013
R Paterson	21 September 2017

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 2018 in the case of Phil White; at the annual general meeting in 2019 in the case of Andrew Jones, and at the annual general meeting in 2020 in the case of Elizabeth McMeikan and Sir Tim Wilson. The appointment and 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 & 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.	Non-Executive Director fee increases are applied in line with the outcome of the annual fee review. Fees for the year commencing 1 January 2018 are set out in the Annual Report on Remuneration. Fee levels will be next reviewed during 2018, with any increase effective 1 January 2019. 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 below provide an illustration of the potential future reward opportunities for the Executive Directors, and the potential split between the different elements of remuneration under three different performance scenarios: 'Minimum', 'On-target' and 'Maximum'.

Potential reward opportunities are based on Unite's remuneration policy, applied to the base salaries effective 1 March 2018. The annual bonus and LTIP are based on the maximum opportunities set out under the remuneration policy for normal circumstances, being 144% 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 'minimum' scenario reflects base salary, pension and benefits (i.e. fixed remuneration) which are the only elements of the Executive Director'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 reflects fixed remuneration, plus full payout of all incentives.

Corporate governance statement

DIRECTORS' REMUNERATION POLICY CONTINUED

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 pension contributions or an equivalent cash supplement not greater than the existing policy.	
Benefits **SAYE**	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. 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.	144% 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.

Internal promotion to the Board

In cases of appointing a new Executive Director by way of internal promotion, the policy of 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 84. 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 Chairman 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 C Simpson	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. 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 the Executive Director in connection with the termination of employment, where the Company wishes to enter into a settlement agreement and where 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:

Reason for leaving	Calculation of vesting/payment
Annual bonus	
Resignation	No annual bonus payable.
'Good' leaver[1]	Cash bonuses will only be paid to the extent that financial and individual objectives set at the beginning of the plan year have been met. Any resulting bonus will be pro-rated for time served during the year.
Change of control	
LTIP	
Resignation	Outstanding awards lapse.
'Good' leaver[1]	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. The determination of vesting 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*).
Change of control	In the event of a change of control, Unite awards may alternatively be exchanged for new equivalent awards in the acquirer where appropriate.

1 'Good leaver' is defined as a participant ceasing to be employed by the Group by reason of death, disability, ill health, redundancy, retirement or any other reason that the Committee determines in its absolute discretion.

The treatment of shares subject to deferral or holding periods will be subject to the Remuneration Committee's discretion and will take into account the circumstances at the time.

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 is currently a member of the Council of the University of Essex for which he does not receive a fee. Richard Simpson is on the Board of CityWest Homes for which he receives a fee of £3,500. Richard Smith does not currently hold an external appointment.

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. The Remuneration Committee does not formally consult with employees on the executive remuneration policy and framework.

Consideration of shareholder views
The Remuneration Committee maintains a regular dialogue with its major shareholders, and consulted with investors representing around two-thirds of Unite's issued share capital in forming the existing remuneration policy. 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.

Corporate governance statement

ANNUAL REPORT ON REMUNERATION

The following section provides details of how Unite's remuneration policy was implemented during the financial year ended 31 December 2017.

Remuneration Committee membership in 2017

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 2017, the Remuneration Committee comprised five independent Non-Executive Directors:

- Elizabeth McMeikan (Committee Chair)
- Phil White
- Sir Tim Wilson
- Andrew Jones
- Ross Paterson (from 21 September 2017)

Prior to her death in late 2017, Manjit Wolstenholme was a member of the Committee. 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 2017 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
- Considered remuneration market trends and corporate governance developments
- Reviewed and approved salary increases for the Executive Directors and senior management for 2018
- Determined the Executive Directors' bonus and LTIP performance targets for 2018 in line with the strategic plan
- Reviewed and approved the Chairman's fee
- Prepared the Directors' Remuneration Report.

Advisers

Kepler Associates, a brand of Mercer (Kepler) was appointed as the Committee's independent adviser 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 2017, Kepler provided independent advice, including updates on the external remuneration environment and performance testing for long-term incentive plans. Kepler reports directly to the Chairman of the Remuneration Committee and does not advise the Company on any other issues. Its total fees for the provision of remuneration services to the Committee in 2017 were £29,360 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 2016 Annual Report on Remuneration at the 2017 AGM as well as the results of the binding vote on the 2015 Directors' Remuneration Policy, which was last approved by shareholders at the 2016 AGM:

	2016 Annual Report on Remuneration		2015 Directors' Remuneration Policy	
For (including discretionary)	172,055,505	99.5%	186,101,530	98.9%
Against	904,419	0.5%	2,088,144	1.1%
Total votes cast (excluding withheld votes)	172,959,924		188,189,674	
Votes withheld	9,433,701		300,425	
Total votes cast (including withheld votes)	182,393,625		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 2016 and 2017 by each Executive Director who served in the year ended 31 December 2017:

	Richard Smith		Joe Lister		Richard Simpson	
	2017 £	2016 £	**2017 £**	2016 £	**2017 £**	2016 £
Salary	**437,167**	359,617	**355,833**	322,702	**330,417**	298,367
Taxable benefits[1]	**16,089**	15,256	**16,255**	15,854	**16,065**	15,236
Pension benefit[2]	**84,506**	60,863	**63,156**	55,979	**58,645**	55,604
Annual bonus[3]	**401,407**	227,083	**326,726**	203,385	**303,389**	188,802
LTIP[4]	**476,619**	575,741	**528,296**	637,993	**476,619**	575,741
Other[5]	**0**	0	**2,249**	0	**4,500**	0
Total	**1,415,787**	1,238,560	**1,292,515**	1,235,913	**1,189,634**	1,133,750

1 Taxable benefits for 2017 consist primarily of company car or car allowance and private health care insurance. The figures above include car benefits of £15,000 for Messrs Smith, Lister and Simpson.
2 Pension figures include contributions to the Unite Group Personal Pension Scheme and cash allowances, where applicable.
3 Payment for performance during the year. Having already reached their share ownership guidelines, each Executive Director will receive 100% of their 2017 bonus award in cash.
4 2016 figures: LTIP awards granted in 2014, and which vested based on performance to 31 December 2016, are valued using the market price at the date of vesting (10 April 2017) of 642.0 pence. These amounts have been revised from last year's report to reflect the actual share prices on the dates of vesting. 2017 figures: For the 2015 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 2017 of 727.9 pence. See following sections for further details. For both 2016 and 2017, 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).
5 '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 2016 and 2017 by each Non-Executive Director who served in the year ended 31 December 2017:

	Base fee		Committee Chair fees		SID fee		Total	
	2017 £	2016 £	**2017 £**	2016 £	**2017 £**	2016 £	**2017 £**	2016 £
P M White	**185,000**	129,650	**–**	–	**–**	–	**185,000**	129,650
R J T Wilson	**45,900**	45,000	**6,750**	6,600	**–**	–	**52,650**	51,600
A Jones	**45,900**	45,000	**–**	–	**–**	–	**45,900**	45,000
E McMeikan	**45,900**	45,000	**9,550**	9,350	**–**	–	**55,450**	54,350
R Paterson[1]	**12,711**	–	**–**	–	**–**	–	**12,711**	–
M Wolstenholme[2]	**45,900**	45,000	**9,550**	9,350	**5,400**	5,250	**60,850**	59,600

1 Ross Paterson joined the Board on 21 September 2017.
2 Manjit Wolstenholme served as Non-Executive Director until her death in November 2017.

Incentive outcomes for the year ended 31 December 2017 (audited)
Performance related annual bonus in respect of 2017 performance
The 2017 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 0 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 Executive 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.

The performance related bonuses awarded in respect of 2017 reflect corporate bonuses of 83.2% of base salary. After applying individual multipliers, actual performance related bonus payments awarded to the Executive Directors were 63.6% of their maximum bonus opportunities. Further details, including the targets set and performance against each of the metrics, are provided in the following tables.

ANNUAL REPORT ON REMUNERATION CONTINUED

Corporate element outcomes

As disclosed in last year's report, the Committee supplemented customer satisfaction with a measure based on University Reputation for 2017 annual bonuses to reflect the equal importance of Unite's relationships with Higher Education partners, together with the opinions of our student customers directly. The corporate element otherwise operated as in previous years.

			Original performance targets					
			'Threshold'	'Target'		'Stretch'		
	Measure	Weight	50% of salary	70% of salary	100% of salary	120% of salary	Actual	Vest (% salary)
Financial	Adjusted EPS	25.0%	27.8p	29.0p	30.7p	31.9p	30.3p	23.2
	TAR per share	25.0%	47p	54p	61p	67p	93p	30.0
	Net debt to EBITDA ratio	25.0%	7.1x	6.9x	6.6x	6.3x	7.1x[1]	12.5
Non-financial	Customer satisfaction	12.5%	80	81	82	84	81	8.75
	University Reputation	12.5%	79	80	81	82	80	8.75
Total corporate vesting (% of salary)								83.2

1 Adjusted upwards for the impact of the convertible bond, which was not included in the original targets.

Individual element outcomes

Executive	Key achievements during the year included:	Personal multiplier
R S Smith	- Successful delivery of Group KPIs - Led the successful development, communication and implementation of the Group's Strategy in response to anticipated changes in the competitive environment and HE sector - Continued strong performance in the Chief Executive role, providing clear and valued leadership to the Group while engaging investors to ensure the strategy is understood and valued - Continued to oversee the successful development of the other two Executive Directors.	1.1x
J J Lister	- Supported in the development and communication of the Group Strategy - Led the financing of new unsecured debt and secured an investment grade credit rating, to ensure the efficient funding of the Group's forward pipeline - Oversaw the launch of a Business Intelligence system to become more insight led, to better serve our customers and improve the operational and financial performance of the Group. - Continued to embrace additional areas of responsibility, including the successful launch of our Diversity in Action Group and the embedding of Up to uS.	1.1x
R C Simpson	- Supported in the development and communication of the Group Strategy - Successful delivery of high quality growth through a secured development pipeline and strategic acquisition and disposal, with the acquisition of Aston Student Village as our first venture into on campus - Continued to embrace additional areas of responsibility, including procurement, which has led to increased performance and efficiency across the business.	1.1x

The individual element of the 2017 annual bonus saw greater emphasis on shared objectives, reflecting the reshaped executive team's collaborative ethos. Against these stretching objectives, the Committee considers that Executive Directors continued to develop strongly in their new and expanded roles, particularly in light of a number of external challenges throughout the year.

Overall bonus outcomes

			Overall bonus outcome		
Executive	Corporate vesting	Personal multiplier	(% of salary)	(% of maximum)	£
R S Smith		1.1x	91.52	63.6	401,407
J J Lister	83.2%	1.1x	91.52	63.6	326,726
R C Simpson		1.1x	91.52	63.6	303,389

The Committee is satisfied that the overall bonus outcomes are appropriate. 2017 financial performance was strong, evidenced in particular by the above-target EPS and TAR performances, while against both the customer satisfaction measure and the newly introduced University reputation measure, the Group delivered in line with its stretching plan and remains on track to achieve its longer-term goals. An overall bonus outcome of 63.6% of maximum is an improvement on 2016, which the Committee feels is appropriate taking into account the underlying performance of the Group and the strong individual progress of our Executive Directors.

Having already reached their respective share ownership guidelines, each Executive Director will receive 100% of their bonus awards in cash.

2015 LTIP vesting (vested on performance to 31 December 2017)
Awards in 2015 were made under the new LTIP, consisting of the Unite Group plc Performance Share Plan and the Unite Group plc Approved Employee Share Option Scheme. Vesting of the awards was 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 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 %
2017 Adjusted EPS	1/3	0% vesting below 23.7 pence 25% vesting for 23.7 pence 100% vesting for 31.5 pence or more Straight-line vesting between these points	30.3 pence	88.45
TAR per share p.a. (2015–2017)	1/3	0% vesting below 9% 25% vesting for 9% 100% vesting for 15% or more Straight-line vesting between these points	21%	100
TSR outperformance of the FTSE 350 Real Estate ('Super Sector') 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 +17.3% p.a. (79.7% return)	100
Total LTIP vesting (sum product of weighting and vest %)				96.14

The performance period for the each of the elements ended on 31 December 2017. Two-thirds of awards will vest on the third anniversary of the date of grant, with the remaining one-third vesting after an additional holding period of one year.

Executive Director	Interests held[1]	Vesting %	Interests vesting	Date vesting	Assumed market price	Estimated value[2]
R S Smith	65,179	96.14	62,665	2 April 2018 (2/3) 2 April 2019 (1/3)	727.9p	£446,537
J J Lister	72,094		69,314			£494,935
R C Simpson	65,179		62,665			£446,537

1 In each case, interests held include 1,713 HMRC approved options under the ESOS.
2 Estimated value of HMRC approved options is based on embedded gain (i.e. after subtracting 583.5 pence exercise price).

In line with regulations, the value disclosed above and in the single total figure of remuneration table on page 78 captures the full number of interests vesting (i.e. excluding the one-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 2017 of 727.9 pence. The actual value at vesting will be trued-up in the 2018 Annual Report on Remuneration. Executives also became 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 78, and amounted to £30,082, £33,360 and £30,082 for Messrs Smith, Lister and Simpson respectively.

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

The CEO's remuneration includes base salary, taxable benefit and annual bonus and for 2016 is calculated as an aggregate of the remuneration of Mark Allan until 31 May 2016 and of Richard Smith thereafter (annual bonus relates to Richard Smith full year). The pay for all other employees is calculated using the increase in the earnings of full-time employees for tax years 2016 and 2017. The analysis excludes part-time employees and is based on a consistent set of employees, i.e. the same individuals appear in the 2016 and 2017 populations.

	CEO			All employees
	2017 £	2016 £	% change 2016–17	% change 2016–2017
Base salary	**437,167**	433,837	0.8	2.0
Taxable benefits	**16,089**	17,079	(5.8)	7.3
Annual bonus	**401,407**	227,083	76.8	53.1

Corporate governance statement

ANNUAL REPORT ON REMUNERATION CONTINUED

Relative importance of spend on pay

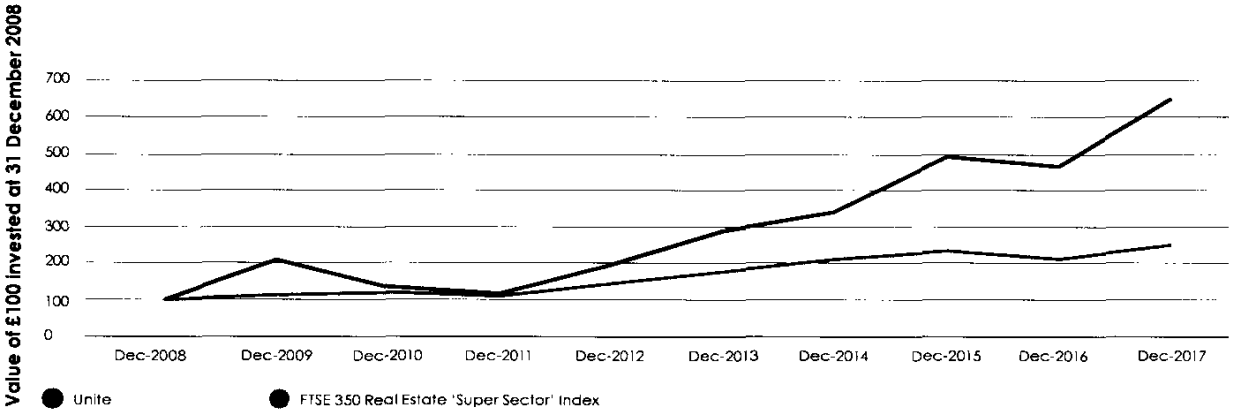
The table below shows shareholder distributions (i.e. dividends and share buybacks) and total employee pay expenditure for the financial years ended 31 December 2016 and 31 December 2017, along with the percentage change in both.

	2017 £m	2016 £m	% change 2016–17
Total employee pay expenditure	**40.8**	39.2	4.1%
Distributions to shareholders	**45.3**	35.3	28.3%

The Directors are proposing a final dividend in respect of the financial year ended 31 December 2017 of 15.4 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 'Super Sector' Index over the nine-year period from 1 January 2009 to 31 December 2017. While there is no comparator index or group of companies that truly reflects the activities of the Group, the FTSE 350 Real Estate 'Super Sector' 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.



	2009	2010	2011	2012	2013	2014	2015	2016	2017
	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
CEO single figure of remuneration (£'000)	£665,313	£687,175	£1,475,577	£993,754	£1,943,734	£2,987,402	£2,381,885	£222,860 £1,238,560	£1,415,787
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%
LTI award rates against maximum opportunity	0.0%	0.0%	82.4%	26.3%	83.1%	95.2%	100.0%	n/a 100.0%	96.1%

Scheme interests awarded in 2017 (audited)

LTIP

In April 2017, 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 2017 and will end on 31 December 2019. 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		137,454		£882,455
J J Lister	10 April 2017	112,033	642.0p	£719,252
R C Simpson		104,089		£668,251

1 Combination of HMRC approved options under the ESOS (934) and nil cost options under the PSP calculated using a share price of 642 pence, being the closing mid-market price on the day the awards were calculated.

Vesting of 2017 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
2019 Adjusted EPS	1/3	0% vesting below 36 pence 25% vesting for 36 pence 100% vesting for 42 pence or more Straight-line vesting between these points.
TAR per share p.a. (2017–2019)	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 FTSE 350 Real Estate 'Super Sector' Index (2017–2019)	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 the year under review, both Richard Simpson and Joe Lister participated in the three year 2017 Sharesave plan. Details of awards under this plan are included in the table on page 95.

Exit payments made in the year (audited)

As disclosed in last year's report, as part of the leaver arrangements for former Chief Executive, Mark Allan, the Committee preserved the first two-thirds of his 2013 LTIP award (which vested in full based on performance to 31 December 2015). These awards became capable of exercise on 1 April 2017, being an increased deferral period from the original vesting date, with the resultant value on that date shown below.

Award cycle	Interests vesting	Vesting date	Market price on vesting	Value
2013 LTIP	131,209	1 April 2017	636.5p	£835,145

Following vesting of this award, Mark Allan holds no further interests in the Unite LTIP.

Payments to past directors (audited)

Save for Mark Allan's outstanding LTIP awards detailed above, there were no further payments to past directors during the year.

Implementation of Executive Director Remuneration Policy for 2018

Base salary

The Committee has approved the following salary increases with effect from 1 March 2017:

Executive Director	Base salary from 1 March 2016 to 28 February 2017	Base salary from 1 March 2017 to 28 February 2018	Percentage increase
R S Smith	£438,600	£447,370	2.0%
J J Lister	£357,000	£364,140	2.0%
R C Simpson	£331,500	£338,130	2.0%

Proposed salary increases are consistent with the average increase applied across the Group (c.2.0%).

Pension

Executive Directors will continue to receive a pension contribution of up to 20% of salary or an equivalent cash allowance.

Performance related annual bonus

	Corporate measures	Wgt.
Financial (75%)	Adjusted EPS	25.0%
	TAR per share	25.0%
	Net debt to EBITDA ratio	25.0%
Non-financial (25%)	Customer satisfaction	12.5%
	University Reputation	12.5%

ANNUAL REPORT ON REMUNERATION CONTINUED

The Performance Related Annual Bonus for the 2018 financial year will operate on the same basis as in 2017. The Committee has approved a maximum bonus opportunity for each executive of 144% of salary, consisting of a maximum of 120% of salary under the 'corporate' element and a maximum individual multiplier of 1.2x.

For 2018, the 'corporate' element of the annual bonus will continue to be based on a combination of financial and non-financial measures, weighted 75% and 25% respectively. University Reputation, which was included in the annual bonus for the first time in 2017, will maintain a 12.5% weighting. As with last year's bonus, it is intended that the majority of 2018 objectives under the individual performance multiplier will be shared across each of the Executive Directors. 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 2018 Directors' Remuneration Report.

Annual bonuses will continue to be paid in cash, unless the recipient has not met their shareholding guidelines, in which case up to 50% of the amount payable will be satisfied by an allocation of shares in the Company deferred for three years. Clawback and malus provisions apply to all awards.

LTIP

For 2018, the LTIP will continue to operate broadly on the same basis as in the 2017 financial year. 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
2020 Adjusted Earnings Per Share (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.
Total Accounting Return (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 FTSE 350 Real Estate 'Super Sector' 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.

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. 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 2018 Annual Report on Remuneration.

Implementation of Non-Executive Director Remuneration Policy for 2018

Chairman and Non-Executive Director fees

During the final quarter of 2017, 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 from £45,900 p.a. to £46,800 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 from £185,000 to £188,700. 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 2018, is set out in the table below.

Position	2016 fees	2017 fees	2018 fees
Base fees			
Chairman	£129,650	£185,000	£188,700
Non-Executive Director	£45,000	£45,900	£46,820
Additional fees			
Senior Independent Director	£5,250	£5,400	£5,510
Audit Committee Chair	£9,350	£9,550	£9,750
Remuneration Committee Chair	£9,350	£9,550	£9,750
Nomination Committee Chair[1]	n/a	n/a	n/a
Health and Safety Committee Chair	£6,600	£6,750	£6,900

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

Directors' interests (audited)
A table setting out the beneficial interests of the Directors and their families in the share capital of the Company as at 31 December 2017 is set out below.

	Ordinary Shares of 25 pence each at 31 December 2017	Ordinary Shares of 25 pence each at 31 December 2016
R S Smith	**233,730**	166,346
J J Lister	**466,588**	410,936
R C Simpson	**226,410**	159,026
P M White	**10,952**	10,952
R J T Wilson	**6,275**	6,275
A Jones	**15,000**	15,000
E McMeikan	**5,000**	5,000
R Paterson	**5,856**	n/a

None of the Directors has a beneficial interest in the shares of any other Group company. Since 31 December 2017, 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 2017, the middle market price for ordinary shares in the Company was 805.0p per share. During the course of the year, the market price of the Company's shares ranged from 571.5 pence to 805.0 pence 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 2017.

	Interests					
	Owned outright	Subject to deferral/holding period[1]	Unvested and/or subject to perf. conditions	Shareholding requirement % salary/fee	Current shareholding % salary/fee[2]	Requirement met?
R S Smith	233,730	58,016	334,999	250	485	Yes
J J Lister	466,588	31,918	291,285	200	1090	Yes
R C Simpson	226,410	28,855	268,899	200	587	Yes
P M White	10,952				48	
R J T Wilson	6,275				110	
A Jones	15,000				263	
E McMeikan	5,000				88	
R Paterson	5,856				103	

1 Includes shares subject to a holding period under the 2014 LTIP and deferred bonus shares, where applicable.
2 Based on share price as at 31 December 2017 of 805 pence. Shares subject to deferral/holding periods are taken on a 'net of tax' basis for the purposes of the current shareholding calculation.

Corporate governance statement

ANNUAL REPORT ON REMUNERATION CONTINUED

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

Deferred bonus

Executive	Interests held at 1 January 2017	Granted during the year	Market price per share at grant	Interests vested during the year	Interests lapsed during the year	Interests held at 31 December 2017	Deferral period
R C Simpson	32,777	–	442.0p	32,777	–	–	07.03.14 – 06.03.17
	32,777	**–**	**–**	**32,777**	**–**	**–**	**–**
R S Smith	32,777	–	442.0p	32,777	–	–	07.03.14 – 06.03.17
	29,161	–	533.5p	–	–	29,161	24.02.15 – 23.02.18
	61,438	**–**	**–**	**32,777**	**–**	**29,161**	**–**

LTIP awards

Executive	Interests held at 1 January 2017	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 December 2017 (ordinary shares of 25p each in the Company)	Period of qualifying conditions
J J Lister	95,753	–	428.6p	95,753[1]	–	–	10.04.14 –10.04.17
	72,094	–	583.5p	–	–	72,094	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
	277,788	**112,033**	**–**	**95,753**	**–**	**294,068**	**–**
R C Simpson	86,566	–	428.6p	86,566[1]	–	–	10.04.14 –10.04.17
	65,179	–	583.5p	–	–	65,179	02.04.15 –02.04.18
	102,147	–	641.5p	–	–	102,147	23.06.16 –23.06.19
	–	104,089	642.0p	–	–	104,089	10.04.17 –10.04.20
	253,892	**104,089**	**–**	**86,566**	**–**	**271,415**	**–**
R S Smith	86,566	–	428.6p	86,566[1]	–	–	10.04.14 –10.04.17
	65,179	–	583.5p	–	–	65,179	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
	286,627	**137,454**	**–**	**86,566**	**–**	**337,515**	**–**

1 One-third of awards vested for performance are subject to an additional one-year holding period, i.e. 31,918, 28,855 and 28,855 shares in respect of Messrs Lister, Simpson and Smith respectively.

SAYE

Executive	Options held at 1 January 2017	Granted during the year	Exercised during the year	Option price per share	Options held at 31 December 2017	Maturity date
J J Lister	7,299	–	–	205.5p	7,299	01 December 2017
	1,705	–	–	527.6p	1,705	01 December 2018
	–	1,617	–	556.4p	1,617	01 December 2020
R C Simpson	5,216	–	–	345.1p	5,216	01 December 2017
	–	3,235	–	556.4p	3,235	01 December 2020
R S Smith	3,411	–	–	527.6p	3,411	01 December 2018

The highest, lowest and closing share prices for 2017 are shown on page 93.

Details of the qualifying performance conditions in relation to the above referred to awards made in 2015 and 2017 are set out earlier in this report. Those details should also be taken as forming part of the 'auditable part' of this report. Details of performance conditions applying to the 2016 awards were set out in the 2016 Directors' Remuneration Report.

Awards made in 2014, 2015, 2016 and 2017 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	**2017 £**	2016 £
J J Lister	**257,993**	312,135
R C Simpson	**235,998**	337,697
R S Smith	**272,809**	407,570

The Directors' Remuneration Report has been approved by the Remuneration Committee and signed on its behalf by:

Elizabeth McMeikan
Chair, Remuneration Committee
21 February 2018

Corporate governance statement

DIRECTORS' REPORT

As at 21 February 2018, 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	8.0
BlackRock Inc	7.7
Old Mutual Plc	4.2
Royal London Asset Management Ltd	4.1
Standard Life Aberdeen	3.7
The Vanguard Group Inc	3.7
Cohen & Steers Inc	3.2
State Street Global Advisors Ltd	3.1

Share capital
At the date of this report, there are 240,843,551 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, 151,670 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, 50,476 ordinary shares of 25p each were allotted and issued pursuant to the exercise of options under the Approved Scheme and 18,593,589 ordinary shares of 25p each were allotted and issued following the conversion of the 2.50% Guaranteed Convertible Bonds due 2018.

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 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 is set out on pages 67 and 27 respectively and is 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 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 become 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 2017.

Other information incorporated by reference
The following information in the Strategic Report is incorporated into this Directors' Report by reference:

Results and Dividend	Page 1
Post-balance sheet events	Page 111
Greenhouse Gas Emissions	Page 49
Financial instruments and financial risk management	Page 31
Employment of disabled persons/Employee involvement	Page 47

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 of the Company will be held at the Company's registered office at South Quay, Temple Back, Bristol, BS1 6FL at 9.30am on 10 May 2018. Formal notice (the Notice) of the Meeting is given on pages 156 to 159.

Resolution 4: Scrip Dividend Scheme
In addition to the ordinary business of the meeting, the Directors wish to offer shareholders the option of receiving ordinary shares, credited as fully paid, instead of cash in respect of the whole (or part, as determined by the Directors) of any dividend declared ('Scrip Dividend Scheme'). Shareholders who elect to participate in the Scrip Dividend Scheme will be able to increase their shareholding in the Company without incurring dealing costs or stamp duty. The Scrip Dividend Scheme also gives the Company greater flexibility in managing its capital resources by retaining cash in the business which would otherwise be paid out as a dividend.

Article 142 of the Company's articles of association permits the provision of this scrip dividend alternative, as long as it is authorised by an ordinary resolution of the Company, and Resolution 4 seeks this authorisation. Under the articles of association, this authorisation may be for a period of up to five years from the date of such authorisation, and may be in respect of dividends declared during the period starting on the date of the authorisation and ending at the beginning of the fifth Annual General Meeting of the Company following such authorisation. In line with investor protection guidelines, the authority contained in Resolution 4 is sought for three years and starting on the date of the authorisation and ending at the beginning of the third Annual General Meeting of the Company following such authorisation.

In accordance with Article 142(b) of the articles of association, the entitlement of each shareholder to receive new ordinary shares under the Scrip Dividend Scheme shall be such that the relevant value of the entitlement shall be nearly as possible equal to the cash amount that such shareholder would have received by way of dividend. For these purposes, 'relevant value' would have the same meaning as in the articles of association, and shall be calculated by reference to the average of the middle market quotations for the ordinary shares on the London Stock Exchange as derived from the Daily Official List, for the day on which the ordinary shares are first quoted 'ex' the relevant dividend and the four subsequent dealing days, or in such other manner as the Directors may determine on such basis as it considers to be fair and reasonable. The articles of association permit this, as long as it is authorised by an ordinary resolution of the Company.

Full details of the terms and conditions of the Scrip Dividend Scheme and instructions on how to participate will be set out in a shareholder circular and guide.

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-emptions 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. 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, these 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.

Corporate governance statement

DIRECTORS' REPORT CONTINUED

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, 9 August 2019, 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 2017, 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.

By order of the Board

Christopher Szpojnarowicz
Company Secretary
21 February 2018

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 judgments 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 name 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 and 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 Smith
Director
21 February 2018

J Lister
Director

Financial statements

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 give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2017 and of the Group's profit for the year then ended;**
- **the Group 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 financial statements, Article 4 of the IAS Regulation.**

We have audited the financial statements of The Unite Group plc (the 'parent company') and its subsidiaries (the 'Group') 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 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 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 →. Last year our report included a key audit matter relating to the Group's REIT transition; this is no longer relevant in the current year as the Group elected to become a REIT from 1 January 2017. In the current year, we have a new key audit matter relating to the Group's compliance with the REIT provisions as this is the first year that the Group is required to operate in accordance with the REIT regulations.
Materiality	The materiality that we used for the Group financial statements was £17.5m which was determined on the basis of net assets. However, we use a lower threshold of £3.5m for balances which impact European Public Real Estate Association ('EPRA') earnings.
Scoping	Consistent with our approach in the prior year, our Group audit scope focussed on the audit work of The Unite Group plc as well as the 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, with the exception of the key audit matter changes relating to REIT as set out in the 'key audit matters' section above.

Conclusions relating to going concern, principal risks and viability statement

Going concern We have reviewed the directors' statement in Section 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 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 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.	**We confirm that we have nothing material to report, add or draw attention to in respect of these matters.**
Principal risks and viability statement Based solely on reading the directors' statements and 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: - the disclosures on pages 28–31 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.	**We confirm that we have nothing material to report, add or draw attention to in respect of these matters.**

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.

Last year our report included a key audit matter relating to the Group's REIT transition; this is no longer relevant in the current year as the Group elected to become a REIT from 1 January 2017. In the current year, we have a new key audit matter relating to the Group's compliance with the REIT provisions as this is the first year that the Group is required to operate in accordance with the REIT regulations.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE UNITE GROUP PLC ONLY CONTINUED

Investment property and development property valuation	→
Key audit matter description	The Group's principal assets are investment properties (2017: £1,261.4m; 2016: £1,016.6m) and investment properties under development (2017: £205.7m; 2016: £184.6m). The Group also holds investments in the joint ventures, USAF and LSAV, whose principal assets are 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. 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 the performance fee recognised for the year ended 31 December 2017 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.
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 taken 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; - 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 2017.

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 (2017: £793.5m; 2016: £692.9m), on the basis that Unite does not control the entities. At 31 December 2017 Unite had a 24.6% (2016: 23.0%) ownership of USAF and 50.0% (2016: 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 have 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 focussed 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 - Reviewing the new fund agreements. Given the particular focus on USAF, we have: - Assessed the role of the USAF Advisory Committee and concluded that Unite do 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 do not have control of USAF; and - Critically evaluated the impact of the percentage ownership on a regular basis.
Key observations	There has been no change to the structure and the role played by Unite as investor and asset / development manager in the year. Changes to the underlying fund agreements in the year have not significantly altered the level of control exercised by Unite, or the USAF Advisory Committee or LSAV Board. We consider Management's conclusion that Unite does not have control of the JVs to be consistent with our conclusion. Therefore, treatment as joint ventures is considered to be appropriate.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE UNITE GROUP PLC ONLY CONTINUED

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 (or income) 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.
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: £17.5m (2016: £14.8m) EPRA Impacting Measures: £3.5m (2016: £3.0m)	£16.5m (2016: £14.2m)
Basis for determining materiality	1% of Net Assets 5% of EPRA Earnings	1% of Net Assets
Rationale for the benchmark applied	We determined materiality for the Group based on 1% of net assets (2016: 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 (2016: 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 £176,250 (2016: £153,000) 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.

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.

We also tested the consolidation process and carried out analytical review procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information. We audit all of the Group's subsidiaries and joint ventures which are subject to audit at statutory materiality level, which in many cases is substantially lower than Group materiality.

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.

Financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE UNITE GROUP PLC ONLY CONTINUED

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

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.

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.

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 3 years, covering the years ending 31 December 2015 to 31 December 2017.

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).

Judith Tacon (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
21 February 2018

INTRODUCTION AND TABLE OF CONTENTS

These financial statements are prepared in accordance with IFRS. The Board of Directors also present the Group's performance on the basis recommended for real estate companies by the European Public Real Estate Association (EPRA). The reconciliation between IFRS performance measures and EPRA performance measures can be found in Section 2.2 b) 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.

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Financial statements

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

	Note	2017 £m	2016 £m
Rental income	2.4	**99.7**	97.1
Property sales and other income	2.4	**19.6**	23.6
Total revenue		**119.3**	120.7
Cost of sales	2.4	**(41.1)**	(44.9)
Operating expenses		**(26.9)**	(25.0)
Results from operating activities		**51.3**	50.8
Profit on disposal of property		**0.6**	0.4
Net valuation gains on property	3.1	**103.1**	77.2
Profit before net financing costs		**155.0**	128.4
Loan interest and similar charges	4.3	**(17.3)**	(20.9)
Swap cancellation and loan break costs	4.3	**(11.5)**	(1.0)
Finance costs	4.3	**(28.8)**	(21.9)
Finance income	4.3	**0.1**	0.1
Net financing costs	4.3	**(28.7)**	(21.8)
Share of joint venture profit	3.4b	**103.1**	94.8
Profit before tax		**229.4**	201.4
Current tax	2.5	**(1.7)**	(2.3)
Deferred tax	2.5	**(3.9)**	27.3
Profit for the year		**223.8**	226.4
Profit for the year attributable to			
Owners of the parent company	2.2c	**221.6**	224.0
Minority interest		**2.2**	2.4
		223.8	226.4
Earnings per share			
Basic	2.2c	**95.3p**	101.3p
Diluted	2.2c	**93.6p**	94.7p

All results are derived from continuing activities.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	2017 £m	2016 £m
Profit for the year		**223.8**	226.4
Movements in effective hedges	4.2	**10.8**	(9.2)
Deferred tax in relation to movements in effective hedges	2.5d	**–**	(1.1)
Share of joint venture movements in effective hedges	3.4b	**2.1**	(1.4)
Deferred tax in relation to share of joint venture movements in effective hedges	2.5d	**–**	(0.5)
Other comprehensive income/(loss) for the year		**12.9**	(12.2)
Total comprehensive income for the year		**236.7**	214.2
Attributable to			
Owners of the parent company		**234.5**	211.8
Minority interest		**2.2**	2.4
		236.7	214.2

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

CONSOLIDATED BALANCE SHEET

At 31 December 2017

	Note	2017 £m	2016 £m
Assets			
Investment property	3.1	**1,261.4**	1,061.6
Investment property under development	3.1	**205.7**	184.6
Investment in joint ventures	3.4b	**793.5**	692.9
Other non-current assets	3.3	**32.4**	29.8
Total non-current assets		**2,293.0**	1,968.9
Inventories	3.2	**4.5**	2.9
Trade and other receivables	5.2	**82.9**	77.9
Cash and cash equivalents	5.1	**51.2**	42.7
Total current assets		**138.6**	123.5
Total assets		**2,431.6**	2,092.4
Liabilities			
Borrowings	4.1	**(1.3)**	(1.3)
Trade and other payables	5.4	**(152.1)**	(123.7)
Current tax liability		**(4.1)**	(2.4)
Total current liabilities		**(157.5)**	(127.4)
Borrowings	4.1	**(511.5)**	(473.5)
Interest rate swaps	4.2	**(0.8)**	(11.6)
Deferred tax liability	2.5d	**(7.6)**	(4.4)
Total non-current liabilities		**(519.9)**	(489.5)
Total liabilities		**(677.4)**	(616.9)
Net assets		**1,754.2**	1,475.5
Equity			
Issued share capital	4.8	**60.2**	55.5
Share premium	4.8	**579.5**	493.6
Merger reserve		**40.2**	40.2
Retained earnings		**1,051.2**	867.9
Hedging reserve		**(2.1)**	(15.0)
Equity portion of convertible instrument	4.1	**–**	9.4
Equity attributable to the owners of the parent company		**1,729.0**	1,451.6
Minority interest		**25.2**	23.9
Total equity		**1,754.2**	1,475.5

These financial statements of The Unite Group plc, registered number 03199160, were approved by the Board of Directors on 21 February 2018 and were signed on its behalf by:

R S Smith
Director

J J Lister
Director

Financial statements

COMPANY BALANCE SHEET

At 31 December 2017

	Note	2017 £m	2016 £m
Assets			
Investments in subsidiaries	3.5	**926.6**	725.4
Total investments		**926.6**	725.4
Loan to group undertaking	3.5	**90.0**	179.9
Total non-current assets		**1,016.6**	905.3
Amounts due from group undertakings	5.2	**912.1**	686.4
Cash and cash equivalents	5.1	**–**	–
Total current assets		**912.1**	686.4
Total assets		**1,928.7**	1,591.7
Current liabilities			
Borrowings	4.1	**(2.9)**	(0.1)
Amounts due to group undertakings	5.4	**(2.5)**	(1.3)
Other payables	5.4	**(3.2)**	(3.0)
Current tax liability		**–**	–
Total current liabilities		**(8.6)**	(4.4)
Borrowings	4.1	**(267.6)**	(175.3)
Total non-current liabilities		**(267.6)**	(175.3)
Total liabilities		**(276.2)**	(179.7)
Net assets		**1,652.5**	1,412.0
Equity			
Issued share capital		**60.2**	55.5
Share premium		**579.5**	493.6
Merger reserve		**40.2**	40.2
Retained earnings		**972.6**	813.3
Equity portion of intercompany loan		**–**	9.4
Total equity		**1,652.5**	1,412.0

Total equity is wholly attributable to equity holders of The Unite Group plc.

These financial statements of The Unite Group plc, registered number 03199160, were approved by the Board of Directors on 21 February 2018 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 2017

	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	**4.7**	**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	–	–	–	**(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**

	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 2016	**55.5**	**493.3**	**40.2**	**679.5**	**(2.8)**	**9.4**	**1,275.1**	**22.6**	**1,297.7**
Profit for the year	–	–	–	224.0	–	–	224.0	2.4	226.4
Other comprehensive loss for the year	–	–	–	–	(12.2)	–	(12.2)	–	(12.2)
Total comprehensive income for the year	–	–	–	224.0	(12.2)	–	211.8	2.4	214.2
Shares issued	–	0.3	–		–	–	0.3	–	0.3
Deferred tax on share based payments	–	–	–	(0.1)	–	–	(0.1)	–	(0.1)
Fair value of share based payments	–	–	–	1.2	–	–	1.2	–	1.2
Own shares acquired	–	–	–	(2.5)	–	–	(2.5)	–	(2.5)
Dividends paid to owners of the parent company	–	–	–	(34.2)	–	–	(34.2)	–	(34.2)
Dividends to minority interest	–	–	–	–	–	–	–	(1.1)	(1.1)
At 31 December 2016	**55.5**	**493.6**	**40.2**	**867.9**	**(15.0)**	**9.4**	**1,451.6**	**23.9**	**1,475.5**

The notes on pages 114 to 154 form part of the financial statements.

Financial statements

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2017

	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	**4.7**	**83.0**	**–**	**–**	**–**	**87.7**
Redemption of convertible bond	**–**	**2.9**	**–**	**5.8**	**(9.4)**	**(0.7)**
Dividends to shareholders	**–**	**–**	**–**	**(44.4)**	**–**	**(44.4)**
At 31 December 2017	**60.2**	**579.5**	**40.2**	**972.6**	**–**	**1,652.5**

	Issued share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Equity portion of intercompany loan £m	Total £m
At 1 January 2016	**55.5**	**493.3**	**40.2**	**633.8**	**9.4**	**1,232.2**
Profit for the year & other comprehensive income	–	–	–	213.7	–	213.7
Shares issued	–	0.3	–	–	–	0.3
Dividends to shareholders	–	–	–	(34.2)	–	(34.2)
At 31 December 2016	**55.5**	**493.6**	**40.2**	**813.3**	**9.4**	**1,412.0**

The notes on pages 114 to 154 form part of the financial statements.

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2017

	Note	Group 2017 £m	Group 2016 £m	Company 2017 £m	Company 2016 £m
Cash flows from operating activities	5.1	**58.4**	**70.3**	**(0.3)**	**(2.6)**
Cash flows from taxation		**(2.1)**	**(2.2)**	**–**	**–**
Investing activities					
Proceeds from sale of investment property		**30.8**	126.1	**–**	–
Payments to/on behalf of subsidiaries		**–**	–	**(172.5)**	(157.4)
Payments from subsidiaries		**–**	–	**39.0**	59.1
Dividends received		**31.6**	29.2	**–**	139.3
Interest received		**0.1**	0.1	**–**	–
Investment in joint ventures		**(27.0)**	–	**–**	–
Acquisition of intangible assets		**(5.7)**	(8.2)	**–**	–
Acquisition of property		**(116.4)**	(131.0)	**–**	–
Acquisition of plant and equipment		**(4.4)**	(3.1)	**–**	–
Cash flows from investing activities		**(91.0)**	**13.1**	**(133.5)**	**41.0**
Financing activities					
Interest paid in respect of financing activities		**(23.2)**	(23.7)	**(5.8)**	(5.5)
Swap cancellation costs		**(9.5)**	(1.0)	**–**	–
Proceeds from the issue of share capital		**0.6**	0.3	**0.6**	0.3
Payments to acquire own shares		**(1.9)**	(2.5)	**–**	–
Proceeds from non-current borrowings		**254.0**	99.0	**178.5**	2.3
Repayment of borrowings		**(133.6)**	(102.3)	**–**	–
Dividends paid to the owners of the parent company		**(42.3)**	(34.2)	**(42.3)**	(34.2)
Dividends paid to minority interest		**(0.9)**	(1.1)	**–**	–
Cash flows from financing activities		**43.2**	**(65.5)**	**131.0**	**(37.1)**
Net (decrease)/increase in cash and cash equivalents		**8.5**	15.7	**(2.8)**	1.3
Cash and cash equivalents at start of year		**42.7**	27.0	**(0.1)**	(1.4)
Cash and cash equivalents at end of year	5.1	**51.2**	**42.7**	**(2.9)**	**(0.1)**

Financial statements

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 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 Group has prepared cash flow projections three years forward to December 2020 and the Group has sufficient headroom to meet all its commitments. The Group secured an investment grade credit rating and arranged a new £500 million unsecured debt facility during 2017 and this together with existing facilities will be sufficient to fund the Group's commitments over the next three years. 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 2017 and expects to remain so. Our debt facilities include loan-to-value, interest cover and asset class ratio, 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 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.

IFRS 15 Revenue from Contracts with Customers – *effective for periods beginning on or after 1 January 2018*

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue.

The Group earns revenue from the following activities (see Note 2.4):

- ***Rental income***
- ***Management fees***
- ***USAF performance fee***

Based on its assessment to date, the Group does not expect the application of IFRS 15 to result in a significant impact on revenue recognition within its consolidated financial statements.

Section 1: Basis of preparation continued

IFRS 9 Financial Instruments – *effective for periods beginning on or after 1 January 2018*
IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

It is not expected that the transition will have any impact on the carrying value of the relevant assets and liabilities within the consolidated financial statements of the Unite Group plc.

The Group believes that its current hedge relationships will qualify as continuing hedges upon the adoption of IFRS 9.

IFRS 16 Leases – *effective for periods beginning on or after 1 January 2019*
The International Accounting Standards Board issued a new lease standard IFRS 16 to replace existing lease standard (IAS 17) from 1 January 2019, with early adoption possible before that date for entities that have also early adopted IFRS 15 the new revenue standard which comes into effect from 1 January 2018.

A key change arising from IFRS 16 is that lessees are required to recognise a lease liability reflecting future lease payments and a right-of-use asset for lease contracts, subject to exceptions for short term leases and leases of low-value assets.

An initial assessment of the impact of IFRS 16 has been reviewed by management and a number of leases currently in operation within the Unite Group plc will fall under the scope of IFRS 16.

The standard gives the option to either fully restate or recognise an asset equal to the value of the liability on the date of transition. The choice of transition method will affect the materiality of the potential impact on adoption of the new standard.

The Group continues to assess the full impact of IFRS 16 on both IFRS and EPRA measures and intends to adopt the new standard for the financial year ending 31 December 2019. The impact of the new standard will depend on the transition approach adopted and the contracts in effect at the time of adoption. It is therefore not yet practicable to provide a reliable estimate of the financial impact on the Group's consolidated results. More guidance will be given in the 2018 financial statements.

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

- IFRS 2 (amendments) 'Classification and Measurement of Share-based Payment Transaction'
- 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 of 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	2017	2016
Earnings basic	2.2c	**£221.6m**	£224.0m
Earnings diluted	2.2c	**£223.0m**	£227.7m
Basic earnings per share (pence)	2.2c	**95.3p**	101.3p
Diluted earnings per share (pence)	2.2c	**93.6p**	94.7p
Net assets basic	2.3c	**£1,729.0m**	£1,451.6m
Basic NAV per share (pence)	2.3d	**717p**	653p

EPRA performance measures

	Note	2017	2016
EPRA earnings	2.2a	**£70.5m**	£62.7m
EPRA earnings per share (pence)	2.2c	**30.3p**	28.4p
Adjusted EPRA earnings	2.2a	**£70.5m**	£61.3m
Adjusted EPRA earnings per share (pence)	2.2c	**30.3p**	27.7p
EPRA NAV	2.3a	**£1,740.4m**	£1,557.3m
EPRA NAV per share (pence)	2.3d	**720p**	646p
EPRA NNNAV	2.3c	**£1,673.9m**	£1,517.3m
EPRA NNNAV per share (pence)	2.3d	**692p**	630p

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 2017 and 31 December 2016 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 (b).

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

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	17.8	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

***a) EPRA earnings** continued*

2016

	UNITE Total £m	Share of joint ventures USAF £m	LSAV £m	Total £m	Group on EPRA basis Total £m
Rental income	97.1	36.9	25.1	62.0	159.1
Property operating expenses	(29.3)	(10.7)	(2.8)	(13.5)	(42.8)
Net operating income	**67.8**	**26.2**	**22.3**	**48.5**	**116.3**
Management fees	20.8	(2.8)	(4.0)	(6.8)	14.0
Operating expenses	(22.4)	(0.4)	(0.3)	(0.7)	(23.1)
Operating lease rentals*	(13.5)	–	–	–	(13.5)
Net financing costs	(20.8)	(5.7)	(5.9)	(11.6)	(32.4)
Operations segment result	**31.9**	**17.3**	**12.1**	**29.4**	**61.3**
Property segment result	**(1.0)**	**–**	**–**	**–**	**(1.0)**
Unallocated to segments	**2.4**	**–**	**–**	**–**	**2.4**
EPRA earnings	**33.3**	**17.3**	**12.1**	**29.4**	**62.7**
Yield related USAF performance fees	(1.4)	–	–	–	(1.4)
Adjusted EPRA earnings	**31.9**	**17.3**	**12.1**	**29.4**	**61.3**

* 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 £18.5 million and property operating expenses of £5.9 million relating to sale and leaseback properties.

The unallocated to segments balance includes the fair value of share based payments of (£1.2 million), UNITE Foundation of (£1.0 million), fees received from USAF relating to acquisitions of £0.4 million, net USAF performance fee of £6.5 million, deferred tax of (£0.3 million) and current tax charges of (£2.0 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	2017 £m	2016 £m
EPRA earnings	2.2a	**70.5**	**62.7**
Net valuation gains on investment property	3.1	**103.1**	77.2
Property disposals and write downs		**0.6**	0.3
Share of joint venture gains on investment property	3.4b	**65.0**	58.8
Share of joint venture property disposals and write downs		**0.5**	–
Swap cancellation and loan break costs		**(11.5)**	(1.0)
Share of joint venture swap cancellation costs	3.4b	**(0.8)**	–
Deferred tax relating to properties	2.5d	**(4.5)**	27.6
Minority interest share of reconciling items*		**(1.3)**	(1.6)
Profit attributable to owners of the parent company		**221.6**	**224.0**

* The minority interest share, or non-controlling interest, arises as a result of the Company not owning 100% of the share capital of one of its subsidiaries, USAF (Feeder) Guernsey Ltd. More detail is provided in note 3.4.

Section 2: Results for the year continued

2.2 Earnings continued

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. EPRA EPS and EPRA EPS pre yield related USAF performance fee are calculated using EPRA earnings.

The calculations of basic and EPRA EPS for the year ended 31 December 2017 is as follows:

	Note	**2017 £m**	2016 £m
Earnings			
Basic		**221.6**	224.0
Diluted		**223.0**	227.7
EPRA	2.2a	**70.5**	62.7
Adjusted EPRA (excluding yield related USAF performance fee)	2.2a	**70.5**	61.3
Weighted average number of shares (thousands)			
Basic		**232,503**	221,013
Dilutive potential ordinary shares (convertible bond and share options)		**5,627**	19,315
Diluted		**238,130**	240,328
Earnings per share (pence)			
Basic		**95.3p**	101.3p
Diluted		**93.6p**	94.7p
EPRA EPS		**30.3p**	**28.4p**
Adjusted EPRA EPS (excluding yield related USAF performance fee)		**30.3p**	**27.7p**

Movements in the weighted average number of shares have resulted from the issue of shares arising from the employee share based payment schemes.

In 2017 there are no options excluded from the potential dilutive shares. In 2016 there were 16,838 options excluded that did not affect the diluted weighted average number of shares.

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 like 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 41.

a) EPRA net assets

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/(liabilities)	(34.7)	(5.2)	(12.1)	(17.3)	(52.0)
EPRA net assets (pre convertible)	970.7	399.2	370.5	769.7	1,740.4
Convertible bond*	–	–	–	–	–
EPRA net assets	970.7	399.2	370.5	769.7	1,740.4
Loan to value	31%	26%	34%	30%	31%

* During the year Unite redeemed the full principal value of £89.9m of the convertible bond in exchange for 18,593,589 shares.

2016

	UNITE	Share of joint ventures			Group on EPRA basis
	Total £m	USAF £m	LSAV £m	Total £m	Total £m
Investment properties	1,061.6	518.7	504.5	1,023.2	2,084.8
Investment properties under development	184.6	7.2	–	7.2	191.8
Total property portfolio	1,246.2	525.9	504.5	1,030.4	2,276.6
Debt on properties	(474.8)	(173.6)	(190.7)	(364.3)	(839.1)
Cash	42.7	9.6	13.5	23.1	65.8
Net debt	(432.1)	(164.0)	(177.2)	(341.2)	(773.3)
Other assets/(liabilities)	(14.6)	(9.8)	(7.0)	(16.8)	(31.4)
EPRA net assets (pre convertible)	799.5	352.1	320.3	672.4	1,471.9
Convertible bond	85.4	–	–	–	85.4
EPRA net assets	884.9	352.1	320.3	672.4	1,557.3
Loan to value	35%	31%	35%	33%	34%

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:

2017	UNITE	Share of joint ventures			Group on EPRA basis
	Total £m	USAF £m	LSAV £m	Total £m	Total £m
Operations	38.6	17.8	14.4	32.2	70.8
Operations segment result					
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
JV property acquisition fee	1.6	(0.2)	(0.5)	(0.7)	0.9
Swap cancellation and debt break 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 £0.3m and £0.7million 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*

2016	UNITE Total £m	Share of joint ventures USAF £m	LSAV £m	Total £m	Group on EPRA basis Total £m
Operations					
Operations segment result	**31.9**	**17.3**	**12.1**	**29.4**	**61.3**
Property					
Rental growth	35.8	14.8	12.0	26.8	62.6
Yield movement	4.9	7.2	7.5	14.7	19.6
Disposals and acquisition gains	1.0	–	–	–	1.0
Investment property gains	41.7	22.0	19.5	41.5	83.2
Development property gains	36.5	0.4	14.5	14.9	51.4
Pre-contract/other development costs	(1.0)	–	–	–	(1.0)
Total property	**77.2**	**22.4**	**34.0**	**56.4**	**133.6**
Unallocated					
Shares issued	0.3	–	–	–	0.3
Investment in joint ventures	3.5	7.1	(10.6)	(3.5)	–
Convertible bond	2.3	–	–	–	2.3
Dividends paid	(34.2)	–	–	–	(34.2)
USAF performance fee	6.5	–	–	–	6.5
USAF property acquisition fee	0.4	–	–	–	0.4
Swap cancellation costs	(1.0)	–	–	–	(1.0)
Other	(6.3)	–	–	–	(6.3)
Total unallocated	**(28.5)**	**7.1**	**(10.6)**	**(3.5)**	**(32.0)**
Total EPRA NAV movement in the year	**80.6**	**46.8**	**35.5**	**82.3**	**162.9**
Total EPRA NAV brought forward	804.3	305.3	284.8	590.1	1,394.4
Total EPRA NAV carried forward	**884.9**	**352.1**	**320.3**	**672.4**	**1,557.3**

The £6.3 million charge that comprises the other balance within the unallocated segment includes a tax charge of £2.3 million, fair value of share options charge of £3.0 million and £1.0 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	2017 £m	2016 £m
Net asset value reported under IFRS		**1,729.0**	**1,451.6**
Mark to market interest rate swaps		**2.1**	14.9
Deferred tax		**9.3**	5.4
EPRA NAV (pre convertible)	2.3a	**1,740.4**	**1,471.9**
Convertible bond		**–**	85.4
EPRA NAV		**1,740.4**	**1,557.3**
Mark to market of fixed rate debt		**(55.1)**	(19.7)
Mark to market interest rate swaps		**(2.1)**	(14.9)
Deferred tax		**(9.3)**	(5.4)
EPRA NNNAV		**1,673.9**	**1,517.3**

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	2017 £m	2016 £m
Net assets			
Basic	2.3c	**1,729.0**	1,451.6
EPRA	2.3a	**1,740.4**	1,557.3
EPRA diluted		**1,743.0**	1,559.9
EPRA NNNAV (diluted)		**1,676.5**	1,520.0
Number of shares (thousands)			
Basic		**241,279**	222,268
Convertible bond shares		**–**	18,426
Outstanding share options		**919**	762
Diluted		**242,198**	241,456
Net asset value per share (pence)			
Basic		**717p**	653p
EPRA		**721p**	647p
EPRA (fully diluted)		**720p**	**646p**
EPRA NNNAV (fully diluted)		**692p**	**630p**

Section 2: Results for the year continued

2.4. Revenue and costs

The Group earns revenue from the following activities:

		Note	2017 £m	2016 £m
Rental income	Operations segment	2.2a	**99.7**	97.1
Management fees	Operations segment		**16.5**	16.0
Development fees	Property segment		**–**	1.0
USAF performance fee	Unallocated		**3.4**	7.0
			119.6	121.1
Impact of minority interest on management fees			**(0.3)**	(0.4)
Total revenue			**119.3**	**120.7**

The cost of sales included in the consolidated income statement includes property operating expenses of £28.5 million (2016: £30.3 million), operating lease rentals of £12.6 million (2016: £13.5 million) and costs associated with development fees of £nil million (2016: £1.1 million).

Accounting policies

Revenue is recognised on the following bases:

Rental income

Rental income from property leased out under operating leases (comprising direct lets to students and leases to Universities and commercial tenants) is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives are sometimes granted 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. In addition, the Group is entitled to performance fees from USAF and LSAV if the joint ventures outperform certain benchmarks. The Group receives an enhanced equity interest in the JVs as consideration for the performance fee.

Management and performance fees are recognised, in line with the management contracts, in the period to which they relate as services are provided.

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).

The Group's investments in unit trusts are 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.

a) Tax – income statement

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

	2017 £m	2016 £m
Corporation tax on residual business income arising in UK companies	**1.7**	–
Income tax on UK rental income arising in non-UK companies	**–**	2.3
Current tax charge	**1.7**	**2.3**
Reversal of deferred tax provision in respect of REIT property business assets	**–**	(39.8)
Origination and reversal of temporary differences	**4.5**	13.7
Effect of change in tax rate	**(0.6)**	(1.2)
Deferred tax charge/(credit)	**3.9**	**(27.3)**
Total tax charge/(credit) in income statement	**5.6**	**(25.0)**

The Group elected to be taxed as a REIT with effect from 1 January 2017. As a result of this, the Group's investment properties are exempt from tax and no deferred tax is required on the balance sheet in relation to these assets. Accordingly, the Group's deferred tax now only relates to non-property investments (being primarily its interests in joint ventures) and historic tax losses.

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

Section 2: Results for the year continued

2.5 Tax continued

***a) Tax – income statement** continued*

In the income statement, a tax charge of £5.6 million arises on a profit before tax of £229.4 million. The taxation charge that would arise at the standard rate of UK corporation tax is reconciled to the actual tax charge as follows:

	2017 £m	2016 £m
Profit before tax	**229.4**	**201.4**
Income tax using the UK corporation tax rate of 19.25% (2016: 20%)	**44.2**	40.3
Release of deferred tax balances due to REIT conversion	**–**	(39.8)
Property rental business profits exempt from tax in the REIT Group	**(11.2)**	–
Property revaluations not subject to tax	**(25.0)**	(20.4)
Effect of indexation on investments	**(1.1)**	(2.1)
Effect of statutory tax reliefs	**(0.6)**	(1.5)
Income due to Unite Foundation	**–**	(1.0)
Effect of tax deduction transferred to equity on share schemes	**0.5**	0.4
Rate difference on deferred tax	**(0.5)**	(1.2)
Prior years adjustments	**(0.7)**	0.3
Total tax charge/(credit) in income statement	**5.6**	**(25.0)**

The main rate of corporation tax reduced from 20% to 19% with effect from 1 April 2017. Accordingly, the reconciliation above has been calculated at a rate of 19.25% (2016: 20%).

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 2017 the required PID is expected to be £40.7m of which £36.7m has been distributed at the year end, with the remainder to be distributed in May 2018.

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.

b) Tax – other comprehensive income

Within other comprehensive income a tax charge totalling £nil (2016: £1.6 million credit) has been recognised representing deferred tax. An analysis of this is included in the deferred tax movement on page 128.

c) Tax – statement of changes in equity

Within the statement of changes in equity a tax credit totalling £0.7 million (2016: £0.1 million charge) has been recognised representing deferred tax. An analysis of this is included in the deferred tax movement on page 128.

Section 2: Results for the year continued

2.5 Tax continued

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:

2017

	At 31 December 2016 £m	Charged/(Credited) in income £m	(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 £3.9 million balance (above) includes two tax movements (Property, plant and machinery and Share schemes) which are included in EPRA, which is why they are not included in the IFRS reconciliation in Note 2.2 b); removing them results in achieving the £4.5 million movement which is excluded per EPRA's best practice recommendations.

2016

	At 31 December 2015 £m	(Credited) in income £m	Charged in equity £m	At 31 December 2016 £m
Investments	14.7	2.5	–	17.2
Investment property (REIT property business assets)	41.1	(41.1)	–	–
Property, plant and machinery	(0.3)	0.2	–	(0.1)
Share schemes	(1.6)	0.1	0.5	(0.9)
Interest rate swaps	(1.1)	–	1.1	–
Interest rate swaps relating to joint ventures	(0.5)	–	0.5	–
Tax value of carried forward losses recognised	(22.3)	11.0	(0.4)	(11.8)
Net tax liabilities/(assets)	**30.0**	**(27.3)***	**1.7**	**4.4**

* The £27.3 million balance (above) includes two tax movements (Property, plant and machinery and Share schemes) which are included in EPRA, which is why they are not included in the IFRS reconciliation in Note 2.2 b); removing them results in achieving the £27.6 million movement which is excluded per EPRA's best practice recommendations.

The deferred tax liability at 31 December 2017 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. The Group's investments in property unit trusts (being primarily its interests in joint ventures) are 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 2017 the deferred tax liability in relation to these investments was £20.6m.

Company

Deferred tax has not been recognised on temporary differences of £165.9 million (2016: £118.9 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 68.

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.

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 6.1% (2016: 6.4%).

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. CB Richard Ellis Ltd, Jones Lang LaSalle Ltd and Messrs Knight Frank, Chartered Surveyors were the valuers in the years ended 31 December 2017 and 2016.

The valuations are based on both:

- 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 Management 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 2017 are shown in the table below. The fair value of the Group's wholly owned properties 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

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 2016 are shown in the table below. The fair value of the Group's wholly owned property portfolio at the year ended 31 December 2016 is also shown below:

2016

	Investment property £m	Investment property under development £m	Total £m
At 1 January 2016	1,024.4	149.8	1,174.2
Cost capitalised	7.6	101.7	109.3
Interest capitalised	–	5.9	5.9
Transfer from investment property under development	36.6	(36.6)	–
Transfer from work in progress	–	8.0	8.0
Disposals	(44.0)	(84.4)	(128.4)
Valuation gains	44.9	41.2	86.1
Valuation losses	(7.9)	(1.0)	(8.9)
Net valuation gains	37.0	40.2	77.2
Carrying and market value at 31 December 2016	**1,061.6**	**184.6**	**1,246.2**

Included within investment properties at 31 December 2017 are £30.5 million (2016: £31.5 million) of assets held under a long leasehold and £9.0 million (2016: £8.9 million) of assets held under short leasehold.

Total interest capitalised in investment and development properties at 31 December 2017 was £41.5 million (2016: £34.9 million) on a cumulative basis. Total internal costs relating to construction and development costs of Group properties amount to £54.6 million at 31 December 2017 (2016: £51.1 million) on a cumulative basis.

Recurring fair value measurement

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

Class of asset	2017 £m	2016 £m
London – Rental properties	**465.9**	424.9
Major provincial – Rental properties	**566.7**	440.2
Other provincial – Rental properties	**228.8**	196.5
Major provincial – Development properties	**178.7**	158.4
Other provincial – Development properties	**27.0**	26.2
Market value	**1,467.1**	**1,246.2**

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 credit worthiness.

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)

	2017 £m	2016 £m
Opening fair value	**1,246.2**	1,174.2
Gains and losses recognised in income statement	**103.1**	77.2
Capital expenditure	**146.5**	123.2
Disposals	**(28.7)**	(128.4)
Closing fair value	**1,467.1**	**1,246.2**

Section 3: Asset management continued

3.1 Wholly owned property assets continued

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

2017

	Fair value £m	Valuation technique	Unobservable inputs	Range	Weighted average
London		Discounted	Net rental income (£ per week)	**£183 – £345**	**£255**
– rental properties	**465.9**	cash flows	Estimated future rent (%)	**1% –6%**	**3%**
			Discount rate (yield) (%)	**4.2%–5.0%**	**4.5%**
Major provincial		Discounted	Net rental income (£ per week)	**£100–£157**	**£134**
– rental properties	**566.7**	cash flows	Estimated future rent (%)	**1% – 6%**	**3%**
			Discount rate (yield) (%)	**4.5% –7.0%**	**5.5%**
Other provincial		Discounted	Net rental income (£ per week)	**£94 – £164**	**£134**
– rental properties	**228.8**	cash flows	Estimated future rent (%)	**2% – 8%**	**4%**
			Discount rate (yield) (%)	**5.2%–13.5%**	**6.0%**
Major provincial		Discounted	Estimated cost to complete (£m)	**£8.1m–£81.9m**	**£47m**
– development properties	**178.7**	cash flows	Estimated future rent (%)	**3%**	**3%**
			Discount rate (yield) (%)	**5.3% –6.0%**	**5.6%**
Other provincial		Discounted	Estimated cost to complete (£m)	**£11.4m**	**£11.4m**
– development properties	**27.0**	cash flows	Estimated future rent (%)	**3%**	**3%**
			Discount rate (yield) (%)	**5.7%**	**5.7%**
Fair value at 31 December 2017	**1,467.1**				

2016

	Fair value £m	Valuation technique	Unobservable inputs	Range	Weighted average
London		Discounted	Net rental income (£ per week)	£179–£327	£249
– rental properties	424.9	cash flows	Estimated future rent (%)	1%–6%	4%
			Discount rate (yield) (%)	4.5%–5.2%	4.7%
Major provincial		Discounted	Net rental income (£ per week)	£105–£162	£129
– rental properties	440.2	cash flows	Estimated future rent (%)	1%–7%	4%
			Discount rate (yield) (%)	5.2%–7.0%	5.7%
Other provincial		Discounted	Net rental income (£ per week)	£95–£153	£126
– rental properties	196.5	cash flows	Estimated future rent (%)	2%–8%	3%
			Discount rate (yield) (%)	5.5%–12.0%	6.2%
Major provincial		Discounted	Estimated cost to complete (£m)	£10.5m–£59.5m	£36.1m
– development properties	158.4	cash flows	Estimated future rent (%)	3%	3%
			Discount rate (yield) (%)	4.8%–5.9%	5.6%
Other provincial		Discounted	Estimated cost to complete (£m)	£12.3m–£26.5m	£20.1m
– development properties	26.2	cash flows	Estimated future rent (%)	3%	3%
			Discount rate (yield) (%)	5.7%–5.8%	5.7%
Fair value at 31 December 2016	**1,246.2**				

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.

3.2 Inventories

	2017 £m	2016 £m
Interests in land	**0.9**	0.8
Other stocks	**3.6**	2.1
Inventories	**4.5**	**2.9**

At 31 December 2017 the Group has interests in one piece of land (2016: one piece of land).

Section 3: Asset management continued

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 predominately 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, 2017: £nil, (2016: £nil). The assets are amortised on a straight-line basis over 4 to 7 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:

	2017			2016		
	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	**22.0**	**41.3**	**63.3**	18.9	33.1	52.0
Additions	**4.4**	**5.7**	**10.1**	3.1	8.2	11.3
Disposals	**(6.3)**	**–**	**(6.3)**	–	–	–
At 31 December	**20.1**	**47.0**	**67.1**	22.0	41.3	63.3
Depreciation, amortisation and impairment losses						
At 1 January	**12.6**	**20.9**	**33.5**	9.4	18.1	27.5
Depreciation/amortisation charge for the year	**2.3**	**4.7**	**7.0**	1.6	2.8	4.4
Impairment*	**0.5**	**–**	**0.5**	1.6	–	1.6
Disposals	**(6.3)**	**–**	**(6.3)**	–	–	–
At 31 December	**9.1**	**25.6**	**34.7**	12.6	20.9	33.5
Carrying value at 1 January	**9.4**	**20.4**	**29.8**	9.5	15.0	24.5
Carrying amount at 31 December	**11.0**	**21.4**	**32.4**	**9.4**	**20.4**	**29.8**

* Being write down of leasehold improvements on variation of lease.

Intangible assets include £2.0 million (2016: £3.9 million) of assets not being amortised as they are not yet ready for use. Property, plant and equipment assets include £0.7m (2016: £1.1m) of assets not being depreciated as they are not ready for use. At 31 December 2017 the Group had capital commitments amounting to £1.9 million relating to intangible assets and £nil million relating to 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 2017 (2016)	Objective	Partner	Legal entity in which Group has interest
The UNITE UK Student Accommodation Fund (USAF)	26.2%* (24.6%)	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%)	Develop and 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 Ltd, 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 24.6% (2016: 23.0%) of USAF.

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:

2017

	USAF £m			LSAV £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/(loss) for the year	**163.7**	**2.5**	**42.1**	**117.1**	**58.5**	**280.8**	**103.1**

2016*

	USAF £m			LSAV £m		Total £m	
	Gross	MI	Share	Gross	Share	Gross	Share
Investment property	2,287.9	36.3	525.9	1,009.0	504.5	3,296.9	1,066.7
Cash	41.8	0.7	9.6	27.0	13.5	68.8	23.8
Debt	(755.5)	(12.0)	(173.6)	(381.4)	(190.7)	(1,136.9)	(376.3)
Swap liabilities	0.7	–	0.2	(7.1)	(3.5)	(6.4)	(3.3)
Other current assets	3.5	0.1	0.7	0.8	0.4	4.3	1.2
Other current liabilities	(55.3)	(1.2)	(10.5)	(14.8)	(7.4)	(70.1)	(19.1)
Net assets	1,523.1	23.9	352.3	633.5	316.8	2,156.6	693.0
Minority Interest	–	(23.9)	–	–	–	–	(23.9)
Swap liabilities	(0.7)	–	(0.2)	7.1	3.5	6.4	3.3
EPRA net assets	**1,522.4**	**–**	**352.1**	**640.6**	**320.3**	**2,163.0**	**672.4**
Profit/(loss) for the year	**164.7**	**2.9**	**43.4**	**97.0**	**48.5**	**261.7**	**94.8**

*Table has been restated for comparative purposes.

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 has increased by £100.6 million during the year ended 31 December 2017 (2016: £82.3 million), resulting in an overall carrying value of £793.5 million (2016: £692.9 million). The following table shows how the increase has been achieved.

	2017 £m	2016 £m
Recognised in the income statement:		
Operations segment result	**32.2**	29.4
Minority interest share of Operations segment result	**1.1**	1.2
Management fee adjustment related to trading with joint venture	**5.7**	5.4
Net revaluation gains	**65.0**	58.8
Loss on cancellation of interest rate swaps	**(0.8)**	–
Profit on disposal of properties	**0.5**	–
Other	**(0.6)**	–
	103.1	94.8
Recognised in equity:		
Movement in effective hedges	**2.1**	(1.4)
Other adjustments to the carrying value:		
Profit adjustment related to trading with joint venture	**(7.4)**	(6.3)
Additional capital invested in USAF	**18.5**	–
Performance fee units issued in USAF	**8.1**	25.6
Additional capital invested in LSAV	**8.5**	–
USAF performance fee	**(0.7)**	(1.2)
Distributions received	**(31.6)**	(29.2)
Increase in carrying value	**100.6**	**82.3**
Carrying value at 1 January	**692.9**	610.6
Carrying value at 31 December	**793.5**	**692.9**

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 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.

	2017 £m	2016 £m
USAF	**13.1**	12.8
LSAV	**7.9**	8.0
Asset and property management fees	**21.0**	**20.8**
LSAV	**–**	1.0
Development management fees	**–**	**1.0**
USAF performance fee	**4.0**	8.1
USAF acquisition fee	**0.7**	0.5
LSAV acquisition fee	**1.0**	–
Investment management fees*	**5.7**	**8.6**
Total fees	**26.7**	**30.4**

* Included in the movement in EPRA NAV is a USAF performance fee of £3.4million (2016: £6.5 million). This is the gross fee of £4.0 million (2016: £8.1 million) paid by USAF net of advisory fee costs of £nil million (2016: £0.5 million) and a £0.6 million (2016: £1.1 million) adjustment related to trading with joint ventures. The USAF performance fee will be settled in units in The UNITE UK Student Accommodation Fund rather than cash. Full details of the USAF performance fees are set out in the Strategic Report on pages 1 to 51.

Included in share of joint venture profit in the income statement is a share of joint venture property management fee costs of £1.2 million (2016: £1.6 million). On an EPRA basis these costs are deducted from the property management fees shown above, plus an adjustment for the minority interest of £0.2 million (2016: £0.4 million). This results in the net fees included in the Operating Segment result (note 2.2a) of £14.1 million (2016: £14.0 million). Development management fees are included in the Property Segment result (note 2.2a). Investment management fees are included within the unallocated to segments (note 2.2a).

Included in the movement in EPRA NAV is a USAF property acquisition fee of £0.4 million (2016: £0.4 million). This is the gross fee of £1.0 million (2016: £0.5 million) paid by USAF net of a £0.3 million (2016: £0.1 million) adjustment related to trading with joint ventures and a £0.3 million (2016: £nil) adjustment relating to other acquisition costs paid to a third party.

Included in the movement in EPRA NAV is an LSAV property acquisition fee of £0.5 million (2016: £nil). This is the gross fee of £1.0 million (2016: £nil) paid by LSAV net of a £0.5 million (2016: £nil) adjustment related to trading with joint ventures.

During the year the Group has paid operating lease rentals to USAF relating to one property under a sale and leaseback agreement amounting to £0.7 million (2016: £2.2 million).

Section 3: Asset management continued

3.4 Investments in joint ventures (Group) continued

***c) Transactions with joint ventures** continued*

During the year 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 the balance sheet date the proceeds had not been settled and therefore no cash flows have been disclosed. In 2016 the Group sold two properties to USAF for £88.4 million. Both properties had been held on the balance sheet as investment property under development within non-current assets, the proceeds and carrying value of the property are therefore recognised in profit on disposal of property and the cash flows in investing activities. The profits relating to sales and associated disposal costs and related cash flows are set out below:

	Profit and loss 2017 LSAV £m	Profit and loss 2016 USAF £m
Included in profit on disposal of property (net of joint venture trading adjustment)	**1.0**	3.2
Profit on disposal of property	**1.0**	**3.2**

	Cash flow 2017 LSAV £m	Cash flow 2016 USAF £m
Gross proceeds	**–**	88.4
Net cash flows included in cash flows from investing activities	**–**	**88.4**

Section 3: Asset management continued

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	
	2017 £m	2016 £m
At 1 January	**725.4**	648.3
Revaluation	**201.2**	77.1
At 31 December	**926.6**	**725.4**

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 132. 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 140.

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 (2016: £90.0 million). A further loan of £89.9 million (2016: £89.9 million) was provided to LDC (Holdings) plc with interest chargeable at 5.0%; this loan was fully repaid during the year.

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

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.

On 10 October 2013 the Group issued a convertible bond. The unsecured instrument paid a coupon of 2.5%. In accordance with IFRS, the equity and debt components of the bond were accounted for separately. As a result, £80.3 million was recognised as a liability in the balance sheet on issue and the remainder of the proceeds, £9.6 million, which represents the equity component, was credited to reserves. The difference between the fair value of the liability and the principal value was amortised through the income statement from the date of issue. Issue costs of £2.0m were allocated between equity and debt and the element relating to the debt component was amortised over the life of the bond. The issue costs apportioned to equity of £0.2 million were not amortised.

The full principal value of the Group's convertible bond (£89.9 million) converted into equity in June with the issue of 18,593,589 ordinary shares in Unite Group plc.

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

	Group		Company	
	2017	2016	**2017**	2016
	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	**2.9**	0.1
Non-current				
In more than one year but not more than two years	**1.4**	108.1	**–**	85.3
In more than two years but not more than five years	**379.4**	126.3	**267.6**	90.0
In more than five years	**130.7**	239.1	**–**	–
	511.5	473.5	**267.6**	175.3
Total borrowings	**512.8**	**474.8**	**270.5**	**175.4**

In addition to the borrowings currently drawn as shown above, the Group has available undrawn facilities of £327.0 million (2016: £245.0 million). A further overdraft facility of £10.0 million (2016: £10.0 million) is also available.

Properties with a carrying value of £609.1 million (2016: £998.0 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:

	2017		2016	
	Carrying value £m	**Fair value £m**	Carrying value £m	Fair value £m
Level 1 IFRS fair value hierarchy	**90.0**	**96.1**	176.2	212.5
Level 2 IFRS fair value hierarchy	**239.1**	**263.8**	240.3	215.0
Other loans	**183.7**	**183.7**	58.3	54.7
Total borrowings	**512.8**	**543.6**	**474.8**	**482.2**

Section 4: Funding continued

4.1 Borrowings continued

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.

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.

Hedge accounting, as defined in IFRS, is when 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. The effective portion of changes in fair value of the interest rate swap is recognised in other comprehensive income and presented in the hedging reserve in equity. 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.

When a hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss at that point remains in equity with any subsequent movements in fair value taken to the income statement. If the hedged transaction is no longer probable, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

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 credit-worthiness of the swap counterparties.

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

	2017 £m	2016 £m
Current	**–**	–
Non-current	**0.8**	11.6
Fair value of interest rate swaps	**0.8**	**11.6**

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.

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.

Section 4: Funding continued

4.3 Net financing costs continued

Recognised in the income statement:	2017 £m	2016 £m
Finance income		
– Interest income on deposit	**(0.1)**	(0.1)
Finance income	**(0.1)**	(0.1)
Gross interest expense on loans	**24.7**	26.8
Interest capitalised	**(7.4)**	(5.9)
Loan interest and similar charges	**17.3**	20.9
Swap cancellation and loan break costs	**11.5**	1.0
Finance costs	**28.8**	21.9
Net financing costs	**28.7**	21.8

The average cost of the Group's wholly owned investment debt at 31 December 2017 is 4.3% (2016: 4.4%). The overall average cost of investment debt on an EPRA basis is 4.1% (2016: 4.2%).

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	2017 £m	2016 £m
Cash and cash equivalents	5.1	**51.2**	42.7
Current borrowings	4.1	**(1.3)**	(1.3)
Non-current borrowings	4.1	**(511.5)**	(473.5)
Interest rate swaps liabilities	4.2	**(0.8)**	(11.6)
Net debt per balance sheet		**(462.4)**	**(443.7)**
Mark to market of interest rate swaps		**0.8**	11.6
Adjusted net debt		**(461.6)**	**(432.1)**
Reported net asset value (attributable to owners of the parent company)	2.3c	**1,729.0**	1,451.6
EPRA net asset value	2.3c	**1,740.4**	1,557.3
Gearing			
Basic (Net debt/Reported net asset value)		**27%**	31%
Adjusted gearing (Adjusted net debt/EPRA net asset value)		**27%**	28%
Gearing (EPRA net debt/EPRA net asset value)	2.3a	**46%**	50%
Loan to value (EPRA net debt/Total property portfolio)	2.3a	**31%**	34%

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

Interest rate risk is the risk that the Group is impacted by significant changes in interest rates. Borrowings issued at or swapped to floating rates expose the Group to interest rate risk. The Group's policy is separated into two main areas:

i) Development and refinancing

The Group had no specific development borrowings as at 31 December 2017 (2016: £nil).

The Group's principal exposure to interest rate fluctuations during development relates to movements in longer term interest rates which affect the amount of debt the property income is capable of servicing at completion. Significant adverse movements undermine the Group's ability to release equity from its developments.

The Group will continue to review the level of its hedging in the light of the current low interest rate environment. The Group's policy allows this exposure to be managed through the use of forward starting swaps.

ii) Medium and long-term finance

The Group holds its medium and long-term bank finance under both floating and fixed rate arrangements. The majority of this floating debt is hedged through the use of interest rate swap agreements, although not all these arrangements qualify for hedge accounting under IAS 39. The Group's policy guideline has been to hedge 75% and 95% of the Group's exposure for terms of approximately 2–10 years.

At 31 December 2017, after taking account of interest rate swaps, 64% (2016: 100%) of the Group's medium and long-term investment borrowing was held at fixed rates; however further contracted hedging with a forward start state and planned fixed rate funding will increase the hedge ratio to above 90% over the next 18 months. Excluding the £4.7 million (2016: £92.9 million) of swaps the fixed investment borrowing is at an average rate of 5.2% (2016: 4.6%) for an average period of 4.5 years (2016: 5 years), including all debt with current or forward starting swaps the average rate is 4.0% (2016: 4.4%).

The Group holds interest rate swaps at 31 December 2017 against £4.7 million (2016: £92.9 million) of the Group's borrowings. The maturity of these swaps and the applicable interest rates are as follows:

	2017 Nominal amount hedged £m	**2017 Applicable interest rates %**	2016 Nominal amount hedged £m	2016 Applicable interest rates %
Within one year	–	–	–	–
Between one and two years	–	–	–	–
Between two and five years	**4.7**	**2.1**	47.6	1.8
More than five years	–	–	45.3	2.2

During the year, if interest rates had increased/decreased by 1%, pre-tax profit for the year would have been £0.8 million (2016: £0.6 million) lower/higher.

b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. For development activities, the Group has a policy to inject substantially the full amount of equity required for each development before drawing debt against the specific facility for the development. The funding requirements of each scheme are therefore substantially 'ring-fenced' and secured at the outset of works.

The table below analyses the Group's financial liabilities and interest rate swaps into relevant maturity groupings based on the period remaining until the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest), so will not always reconcile with the amounts disclosed on the balance sheet.

Section 4: Funding continued

4.5 Financial risk factors continued

***b) Liquidity risk** continued*

2017

	Total contractual cash flows £m	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Bank and other loans*	**600.5**	**21.7**	**21.8**	**420.1**	**136.9**
Trade and other payables	**152.1**	**152.1**	**–**	**–**	**–**
Interest rate swaps – effective**	**3.8**	**0.1**	**0.3**	**3.4**	**–**
	756.4	**173.9**	**22.1**	**423.5**	**136.9**

2016

	Total contractual cash flows £m	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Bank and other loans*	490.2	19.7	40.9	172.8	256.8
Convertible bonds	93.8	2.2	91.6	–	–
Trade and other payables	123.7	123.7	–	–	–
Interest rate swaps – effective	15.7	0.8	2.7	8.2	4.0
	723.4	**146.4**	**135.2**	**181.0**	**260.8**

* The contractual undiscounted cash flows include £293.9m (2016: £108.8m) in relation to the Company.
** The contractual undiscounted cash flows in relation to interest rate swaps include £3.5m (2016: £nil) in relation to the Company.

The full principal value of the Group's convertible bond (£89.9 million) fully converted into equity in June 2017 with the issue of 18,593,589 ordinary shares in Unite Group plc.

c) Covenant compliance

Many of the Group's funding facilities carry covenants. The Group monitors its covenant position and the headroom available on an ongoing basis. At 31 December 2017, the Group was in full compliance with all of its borrowing covenants. The Group is able to use available cash to reduce debt to increase headroom on its loan to value (LTV) covenants. The covenant headroom position is outlined below and assumes that the Group is able to use available cash within net debt.

	31 December 2017		31 December 2016	
	Weighted covenant	Weighted actual	Weighted covenant	Weighted actual
Loan to value	**65%**	**36%**	74%	15%*
Interest cover	**1.9**	**4.2**	1.5	4.04

* Calculated on the basis that available cash is used to reduce debt and available property can be used as additional security.

Section 4: Funding continued

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:

	2017 £m	2016 £m
Less than one year	**13.1**	13.8
Between one and five years	**52.7**	56.2
More than five years	**152.0**	171.0
Total	**217.8**	**241.0**

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 12 and 17 years and subject to annual RPI-based rent review. The total operating lease expenditure incurred during the year was £14.5 million (2016: £15.3 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:

	2017 £m	2016 £m
Less than one year	**131.0**	77.1
Between one and five years	**177.5**	140.4
More than five years	**262.3**	267.2
Total	**570.8**	**484.7**

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 (4.4)
- adjusted gearing (4.4)
- LTV (2.3a)
- weighted average cost of investment debt (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. £29.6 million of property assets were sold in 2017 and we plan to sell an average of £75 – £125 million of property each year. 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 £63.2 million (2016: £61.3 million) during the year, thereby covering the combined paid interim dividend and proposed final dividend of £54.8 million, 1.2 times (2016: £40.0 million, 1.5 times).

Section 4: Funding continued

4.8 Equity

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

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

	2017			2016		
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	**222,047,816**	**55.5**	**493.6**	221,930,911	55.5	493.3
Share placing	**–**	**–**	**–**	–	–	–
Shares issued from Convertible Bond	**18,593,589**	**4.7**	**85.3**	–	–	–
Share options exercised	**188,876**	**0.0**	**0.6**	116,905	–	0.3
At end of year	**240,830,281**	**60.2**	**579.5**	222,047,816	55.5	493.6

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 £17.7 million – 7.3p per share (2016: £13.2 million – 6.0p per share) and paid a £26.7 million final dividend – 12.0p per share relating to the year ended 31 December 2016 (2015: £21.0 million – 9.5p per share).

After the year end, the Directors proposed a final dividend per share of 15.4p (2016: 12.0p), bringing the total dividend per share for the year to 22.7p (2016: 18.0p). 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 2017 and November 2017 distributions to ensure that the PID requirement will be satisfied. The combined PID from the distributions made during 2017 comprise 78% of the Group's forecast tax exempt property rental business profit, leaving a small amount that can be paid as part of the May 2018 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.

5.1 Cash and cash equivalents

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.

The Group's cash position at 31 December 2017 was £51.2 million (2016: £42.7 million).

At 31 December 2017 the Company had an overdraft of £2.9 million (2016: overdraft £0.1 million).

The Group's cash balances include £3.1 million (2016: £13.4 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	**2017 £m**	2016 £m	**2017 £m**	2016 £m
Profit/(loss) for the year		**223.8**	226.4	**197.9**	213.8
Adjustments for:					
Depreciation and amortisation	3.3	**7.0**	4.4	**–**	–
Fair value of share based payments	6.1	**1.5**	1.2	**–**	–
Dividends received		**–**	–	**–**	(139.3)
Change in value of investment property	3.1	**(103.1)**	(77.2)	**–**	–
Change in value of investments	3.5	**–**	–	**(201.2)**	(77.1)
Net finance costs	4.3	**28.7**	21.8	**0.5**	(0.3)
(Profit) on disposal of investment property		**(0.6)**	(0.4)	**–**	–
Share of joint venture profit	3.4b	**(103.1)**	(94.8)	**–**	–
Trading with joint venture adjustment		**7.2**	7.5	**–**	–
Tax charge/(credit)	2.5a	**5.6**	(25.0)	**–**	–
Cash flows from operating activities before changes in working capital		**67.0**	**63.9**	**(2.8)**	**(2.9)**
Decrease in trade and other receivables		**(13.2)**	(20.4)	**–**	–
Decrease/(increase) in inventories		**(2.3)**	0.7	**–**	–
Increase in trade and other payables		**6.9**	26.1	**2.5**	0.3
Cash flows from operating activities		**58.4**	**70.3**	**(0.3)**	**(2.6)**

£8.1 million of the brought forward trade and other receivables was settled in units in USAF rather than cash.

Cash flows consist of the following segmental cash inflows/(outflows): Operations £63.2 million (2016: £61.3 million), property £27.7million (2016: (£6.0 million)) and unallocated (£82.4million) (2016: £39.6 million). The unallocated amount includes Group dividends (£42.3 million) (2016: (£34.2 million)), tax payable (£2.1 million) (2016: (£2.2 million)), investment in joint ventures (£27.0 million) (2016: (£nil)), contributions to UNITE Foundation (£0.1 million) (2016: (£1.0 million)), purchase of own shares (£1.9 million) (2016: (£2.5 million)) and amounts received from shares issued £0.6 million (2016: £0.3 million).

Section 5: Working capital continued

5.2 Trade and other receivables

Accounting policies
Trade receivables are initially recognised at the amount invoiced to the customer (fair value) and subsequently at the amounts considered recoverable (amortised cost). Estimates are used in determining the level of receivables that will not, in the opinion of the Board, be collected. These estimates include such factors as historical experience and industry specific factors. A provision for impairment of trade receivables is established when there is sufficient evidence that the Group will not be able to collect all amounts due. The carrying value of trade receivables is considered to approximate fair value.

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

	Group		Company	
	2017 £m	2016 £m	**2017 £m**	2016 £m
Trade receivables	**19.4**	17.8	**–**	–
Amounts due from group undertakings	**–**	–	**912.1**	686.4
Amounts owed by joint ventures	**41.8**	36.3	**–**	–
Prepayments and accrued income	**11.0**	8.4	**–**	–
USAF performance fee	**4.0**	8.1	**–**	–
Other receivables	**6.7**	7.3	**–**	–
Trade and other receivables	**82.9**	**77.9**	**912.1**	**686.4**

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.

2017

	Ageing by academic year			
	Total £m	**2017/18 £m**	**2016/17 £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**
Provisions carried	**(1.5)**	**(0.2)**	**(0.5)**	**(0.8)**
Trade receivables	**19.4**	**19.4**	**–**	**–**

2016

	Ageing by academic year			
	Total £m	2016/17 £m	2015/16 £m	Prior years £m
Rental debtors				
Commercial tenants (past due and impaired)	0.4	0.3	0.1	–
Individual tenants (past due and impaired)	18.8	17.4	0.9	0.5
Provisions carried	(1.4)	(0.1)	(0.8)	(0.5)
Trade receivables	**17.8**	**17.6**	**0.2**	**–**

Amounts receivable from joint ventures are not past due or impaired.

Section 5: Working capital continued

5.2 Trade and other receivables continued

Movements in the Group's provision for impairment of trade receivables can be shown as follows:

	2017 £m	2016 £m
At 1 January	**1.4**	2.1
Impairment charged to income statement in year	**0.5**	0.7
Receivables written off during the year (utilisation of provision)	**(0.1)**	(1.4)
At 31 December	**1.8**	**1.4**

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	2017 £m	2016 £m
Cash	5.1	**51.2**	42.7
Trade receivables	5.2	**19.4**	17.8
Amounts due from joint ventures (excluding loans that are capital in nature)	5.2	**41.8**	36.3
		112.4	**96.8**

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 £9.0 million (2016: £8.5 million) as collateral against individual customers. Based on the Group's experience and historical low level of bad debt the Group views these receivables as recoverable balances with a low risk of default.

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.

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	
	2017 £m	2016 £m	2017 £m	2016 £m
Trade payables	**19.7**	16.8	**–**	–
Retentions on construction contracts for properties	**7.8**	5.8	**–**	–
Amounts due to group undertakings	**–**	–	**2.5**	1.3
Other payables and accrued expenses	**67.1**	45.8	**3.2**	3.0
Deferred income	**57.5**	55.3	**–**	–
Trade and other payables	**152.1**	**123.7**	**5.7**	**4.3**

Other payable and accrued expenses include £9.0million (2016: £8.5 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.

Section 5: Working capital continued

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 £2.4 million (2016: £2.5 million).

As a result of these intercompany transactions, the following amounts were due (to)/from the Company's subsidiaries at the year end.

	2017 £m	2016 £m
Unite Holdings plc	**77.1**	70.7
LDC (Holdings) plc	**835.0**	615.7
UNITE Jersey Issuer Ltd	**–**	–
Amounts due from Group undertakings	**912.1**	**686.4**
Unilodge Holding Ltd	**–**	–
Unilodge Holdings (UK) Ltd	**–**	–
UNITE Jersey Issuer Ltd	**–**	(1.3)
Amounts due to Group undertakings	**–**	**(1.3)**

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 (2016: £121 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	
	2017	2016
Managerial and administrative	**328**	325
Site operatives	**934**	881
	1,262	**1,206**

The aggregate payroll costs of these persons were as follows:

	2017 £m	2016 £m
Wages and salaries	**39.6**	38.0
Social security costs	**3.8**	3.6
Pension costs	**1.2**	1.2
Fair value of share based payments	**1.5**	1.2
	46.1	**44.0**

The wages and salaries costs include redundancy costs of £1.2 million (2016: £1.0 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 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 2017	**Number of options (thousands) 2017**	Weighted average exercise price 2016	Number of options (thousands) 2016
Outstanding at 1 January	**£1.32**	**2,113**	£0.91	2,774
Forfeited during the year	**£4.04**	**(130)**	£0.80	(495)
Exercised during the year	**£0.86**	**(779)**	£0.40	(845)
Granted during the year	**£1.52**	**749**	£1.47	679
Outstanding at 31 December	**£1.40**	**1,953**	£1.32	2,113
Exercisable at 31 December	**£2.15**	**87**	£1.67	70

For those options exercised in the year, the average share price during 2017 was £6.64 (2016: £6.24).

For those options still outstanding, the range of exercise prices at the year end was 0p to 642p (2016: 0p to 642p) and the weighted average remaining contractual life of these options was 2.1 years (2016: 1.6 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 2017 the number of shares held by the ESOT was 742,682 (2016: 1,165,592).

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

The Unite Group plc
South Quay House
Temple Back
Bristol BS1 6FL
+44 (0) 117 302 7000
info@unite-students.com

www.unite-group.co.uk
www.unitestudents.com

COMPANY INFORMATION

Unite Group Executive Team
Richard Smith
Chief Executive Officer

Joe Lister
Chief Financial Officer

Richard Simpson
Group Property Director

Registered Office
South Quay House, Temple Back, Bristol
BS1 6FL

Registered Number in England
03199160

Company Secretary
Christopher Szpojnarowicz

Auditor
Deloitte LLP
2 New Street Square, London EC4 3BZ

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
Computershare Investor Services plc
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH

Financial PR Consultants
Powerscourt
1 Tudor Street, London, EC4Y OAH

THIS REPORT IS COMPLEMENTED BY A RANGE OF ONLINE INFORMATION ABOUT OUR BUSINESS INCLUDING OUR OPERATIONS AND PROPERTY DIVISIONS, OUR MARKETS, AND CORPORATE RESPONSIBILITY AND SUSTAINABILITY.

→ Find out more online at **www.unite-group.co.uk**

Other information

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, alongside UCC. Both Unite and GIC have a 50% stake and LSAV has the same maturity date as UCC (September 2022). It is the primary vehicle through which Unite undertakes development activity in London and it has right of first refusal over Unite's London development pipeline projects until such time as its capital investment targets are met. LSAV and UCC were merged during 2012 and the new combined entity is referred to as LSAV.

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, ie 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 buying access to Unite's development pipeline. Unite acts as fund manager for the fund, as well as owning a significant minority stake.

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 8 May 2018 (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 263,050,423 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 263,050,423.

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.

Other information

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 6GD 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 09.30 a.m. on 8 May 2018.

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 a 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 09.30 a.m. on 8 May 2018. 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.

Special resolutions
Authority to disapply pre-emption rights

16. That if Resolution 15 (Authority to allot shares) is passed, the Board be authorised 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 of the Companies Act 2006 did not apply to any such allotment or sale, such authority to be limited:

(a) to allotments for rights issues and other pre-emptive issues; 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 £3,288,130 (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 9 August 2019, 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) under 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 in addition to any authority granted under Article 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 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 £3,288,130 (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 9 August 2019, 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) under 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
26 February 2018

Registered office:
South Quay House
Temple Back
Bristol
BS1 6FL

Registered in England and Wales with registered number 03199160

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 2017 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: South Quay House, Temple Back, Bristol, BS1 6FL

Hiremaxi Limited (03128294)**
LDC (AIB Warehouse) Limited (04872419)
LDC (Alscot Road) Limited (06176428)
LDC (Brunel House) Limited (09760628)**
LDC (Camden Court Leasehold) Limited (5140620)**
LDC (Camden Court) Limited (05082671)**
LDC (Capital Cities Nominee no. 1) Limited ((05347228)
LDC (Capital Cities Nominee no. 2) Limited (05359457)
LDC (Capital Cities Nominee no. 3) Limited (08792780)
LDC (Capital Cities Nominee no. 4) Limited (08792688)
LDC (Capital Cities) Limited (05347220)
LDC (Causewayend) Limited (08895966)**
LDC (Chantry Court Leasehold) Limited (05140258)**
LDC (Chaucer House) Limited (09898020)**
LDC (Constitution Street) Limited (09210998)**
LDC (Construction Two) Limited (04847268)**
LDC (Cowley) Limited (10848961)**
LDC (Curzon Street) Limited (04628271)**
LDC (Euro Loan) Limited (06623603)**
LDC (Far Gosford) Limited (09150149)**
LDC (Ferry Lane 2) GP 3 Limited (07503842)**
LDC (Ferry Lane 2) GP 4 Limited (07503913)**
LDC (Ferry Lane 2) Holdings Limited (07504099)
LDC (Finance) Limited (09760806)**
LDC (Frogmore Street) Limited* (03389585)**
LDC (Greetham Street) Limited (08895825)**
LDC (Gt Suffolk St) Limited Partnership
LDC (Gt Suffolk St) Management Limited Partnership
LDC (Gt Suffolk Street) GP1 Limited (07274156)
LDC (Gt Suffolk Street) GP2 Limited (07274000)
LDC (Gt Suffolk Street) Holdings Limited (07353946)
LDC (Gt Suffolk Street) Management GP1 Limited (07354719)
LDC (Gt Suffolk Street) Management GP2 Limited (07354728)
LDC (Hampton Street) Limited (06415998)**
LDC (Hillhead) Limited (06176554)**
LDC (Holdings) Ltd (02625007)*
LDC (Imperial Wharf) Limited (04541678)**
LDC (International House) Limited (10131352)**
LDC (James Watson Leasehold) Limited (03928026)**
LDC (Kelham Island) Limited (05152229)**
LDC (Leasehold A) Limited (04066933)**
LDC (Leasehold B) Limited (05978242)**
LDC (Loughborough) Limited (04207522)
LDC (Magnet Court Leasehold) Limited (05140255)**
LDC (Mansfield) Limited (06546446)
LDC (Millennium View) Limited (09890375)**
LDC (MTF Portfolio) Limited (05530557)
LDC (Nairn Street) GP 3 Limited (07808933)
LDC (Nairn Street) GP 4 Limited (07808919)
LDC (Nairn Street) Holdings Limited (07579402)**
LDC (Newgate) Limited (08895869)**
LDC (New Wakefield Street) Limited (10436455)**
LDC (Old Hospital) Limited (09702143)**
LDC (Oxford Road Bournemouth) Limited (04407309)**
LDC (Pitwines) Limited (05918624)**
LDC (Portfolio 100) Limited (07989369)
LDC (Portfolio 20) Limited (08803996)
LDC (Portfolio Five Nominee) Limited (06017949)**
LDC (Portfolio Five) Limited (06079581)**
LDC (Portfolio Four) Limited (04985603)
LDC (Portfolio One) Limited (03005262)
LDC (Portfolio Ten) Limited (06877517)**
LDC (Portfolio) Limited (08419375)**
LDC (Project 110) Limited (05083580)
LDC (Project 111) Limited (05791650)
LDC (Radmarsh Road) Limited (05435290)
LDC (River Street) Limited (10564295)**
LDC (Skelhorne) Limited (09898132)**
LDC (Smithfield) Limited (03373096)**
LDC (St Leonards) Limited (08895830)**
LDC (St Pancras Way) GP1 Limited (07359501)
LDC (St Pancras Way) GP2 Limited (07359428)
LDC (St Pancras Way) GP3 Limited (07503268)
LDC (St Pancras Way) GP4 Limited (07503251)
LDC (St Pancras Way) Holdings Limited (07360734)**
LDC (St Pancras Way) Limited Partnership**
LDC (St Pancras Way) Management Limited Partnership**
LDC (St Vincents) Limited (10218310)**
LDC (Swindon NHS) Limited (04027502)**
LDC (Tara House) Limited (09214177)**
LDC (Thurso Street) GP1 Limited (07199022)**
LDC (Thurso Street) GP2 Limited (07198979)**
LDC (Thurso Street) GP3 Limited (07434001)**
LDC (Thurso Street) GP4 Limited (07434133)**
LDC (Thurso Street) Limited Partnership
LDC (Thurso Street) Management Limited Partnership**
LDC (Tower North) Limited (10950123)**
LDC (Ventura) Limited (0444628)**
LDC (Vernon Square) Limited (06444132)**
LDC (William Morris II) Limited (05999281)
LDC Capital Cities Two (GP) Limited (08790742)
LSAV (Angel Lane) GP3 Limited (08646359)**
LSAV (Angel Lane) GP4 Limited (08646929)**
LSAV (Aston Student Village) GP3 Limited (10498217) (50.00%)
LSAV (Aston Student Village) GP4 Limited (10498484) (50.00%)
LSAV (Stratford) GP3 Limited (08751654)
LSAV (Stratford) GP4 Limited (08751629)
LSAV (Wembley) GP3 Limited (08725127)**
LSAV (Wembley) GP4 Limited (08725235)**
LSAV Rent Collection Limited (08496230)
LSAV (Stapleton) GP3 Limited (08646819)
LSAV (Stapleton) GP4 Limited (08647019)
Railyard GP Limited (06016486)**
Railyard Student Accommodation Limited Partnership**
Stardesert Limited (04437102)
The UNITE Foundation
Unite Accommodation Management 16 Limited (07061314)**
Unite Accommodation Management 18 Limited (08328484)**
Unite Accommodation Management 19 Limited (08790504)
Unite Accommodation Management 2 Limited (05193166)**
Unite Accommodation Management 20 Limited (08790642)
Unite Accommodation Management 6 Limited (05077346)
Unite Accommodation Management 8 Limited (05077315)
Unite Accommodation Management 9 Limited (06190863)**
Unite Accommodation Management Limited (06190905)**
Unite Accommodation Management One Hundred Limited (07989080)
UNITE Capital Cities Holdings Limited (08801242)
UNITE Construction (Angel Lane) Limited (08792704)**
UNITE Construction (Stapleton) Limited (09023406)**
UNITE Construction (Wembley) Limited (09023474)**
Unite Finance Limited* (04353305)**
UNITE Finance One (Accommodation Services) Limited (04332937)**
Unite Finance One (Holdings) Limited (04316207)**
UNITE Finance One (Property) Limited (04303331)**
UNITE FM Limited (06807562)**
UNITE For Success Limited (05157263)**
Unite Holdings Ltd* (03148468)**
UNITE Homes Limited (05140262)**
Unite Integrated Solutions plc (02402714)
Unite Modular Solutions Limited (05140259)**
Unite Rent Collection Limited (0598935)**
UNITE Student Living Limited (06204135)**
USAF GP No 11 Management Limited (07351883)
USAF LP Limited (05860874)**
USAF Management GP No 14 Limited (09130985)**
USAF Management GP No.15 Limited (09749946)
USAF Management GP No.16 Limited (09750068)
USAF Management GP No.17 Limited (09750061)
USAF Management 10 Limited (06714695)
USAF Management 11 Limited (07082782)
USAF Management 12 Limited (07365681)
USAF Management 14 Limited (09232206)
USAF Management 18 Limited (10219775)
USAF Management 6 Limited (06225945)
USAF Management 8 Limited (06387597)
USAF Management Limited (05862721)
LDC (Ferry Lane 2) GP 1 Limited (07359448) (50.00%)
LDC (Ferry Lane 2) GP 2 Limited (07359481) (50.00%)
LDC (Ferry Lane 2) Limited Partnership (50.00%)
LDC (Ferry Lane 2) Management Limited Partnership (50.00%)
LDC (Stratford) GP1 Limited (07547911) (50.00%)

Section 7: Company subsidiaries and joint ventures continued

Registered office: South Quay House, Temple Back, Bristol, BS1 6FL

LDC (Stratford) GP2 Limited (07547994) (50.00%)
LDC (Stratford) Limited Partnership (50.00%)
LSAV (Angel Lane) GP1 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) GP1 Limited (10498478) (50.00%)
LSAV (Aston Student Village) GP2 Limited (10498481) (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) GP1 Limited (08635735) (50.00%)
LSAV (Wembley) GP2 Limited (08636051)(50.00%)
LSAV (Wembley) Limited Partnership (50.00%)
LSAV (Wembley) Management Limited Partnership (50.00%)
LSAV(Stapleton) GP1 Limited (08593695)(50.00%)
LSAV(Stapleton) GP2 Limited (08593699) (50.00%)
Unite Capital Cities Limited Partnership (50.00%)
Unite Capital Cities Two Limited Partnership (50.00%)
USAF Management No. 15 Limited Partnership (24.90%)
USAF Management No. 16 Limited Partnership (24.90%)
USAF Management No. 17 Limited Partnership (24.90%)
USAF No 15 Limited Partnership (24.90%)
Filbert Village Student Accommodation Limited Partnership (24.60%)
Forster Hall Limited Partnership (24.60%)
Student Hall Nominees Limited (24.60%)
USAF No 1 Limited Partnership (24.60%)
USAF No 10 Limited Partnership (24.60%)
USAF No 11 Limited Partnership (24.60%)
USAF No 11 Management Limited Partnership (24.60%)
USAF No 12 Limited Partnership (24.60%)
USAF No 14 Limited Partnership (24.60%)
USAF No 14 Management Limited Partnership (24.60%)
USAF No 18 Limited Partnership (24.60%)
USAF No 6 Limited Partnership (24.60%)
USAF No 8 Limited Partnership (24.60%)
LDC (Nairn Street) Limited Partnership (24.50%)
LDC (Nairn Street) Management Limited Partnership (24.50%)
Filbert Village GP Limited (16.20%)
LDC (Nairn Street) GP 1 Limited (16.20%)
LDC (Nairn Street) GP 2 Limited (16.20%)
USAF Finance II Limited (16.20%)
USAF GP No 1 Limited (05897875) (16.20%)
USAF GP No 10 Limited (06714734) (16.20%)
USAF GP No 11 Limited (07075210) (16.20%)
USAF GP No 12 Limited (07368735) (16.20%)
USAF GP No 14 Limited (09189977) (16.20%)
USAF GP No 15 Limited (09585201) (16.20%)
USAF GP No 18 Limited (10219336) (16.20%)
USAF GP No 6 Limited (05897755) (16.20%)
USAF GP No 8 Limited (06381914) (16.20%)
USAF Holdings B Limited (06324325) (16.20%)
USAF Holdings C Limited (06381882) (16.20%)
USAF Holdings F Limited (07074623) (16.20%)
USAF Holdings G Limited (07365712) (16.20%)
USAF Holdings H Limited (09089805) (16.20%)
USAF Holdings I Limited (09581882) (16.20%)
USAF Holdings J Limited (10215997) (16.20%)
USAF Holdings Limited (05870177) (16.20%)
USAF Nominee No 1 Limited (05855598) (24.90%)
USAF Nominee No 10 Limited (06714690) (24.90%)
USAF Nominee No 10A Limited (06714615) (24.90%)
USAF Nominee No 11 Limited (07075251) (24.90%)
USAF Nominee No 11A Limited (07075251) (24.90%)
USAF Nominee No 12 Limited (07368733) (24.90%)
USAF Nominee No 12A Limited (07368753) (24.90%)
USAF Nominee No 14 Limited (09231609) (24.90%)
USAF Nominee No 14A Limited (09231604) (24.90%)
USAF Nominee No 18 Limited (10218595) (24.90%)
USAF Nominee No 18A Limited (10219339) (24.90%)
USAF Nominee No 1A Limited (05835512) (24.90%)
USAF Nominee No 6 Limited (05855599) (24.90%)
USAF Nominee No 6A Limited (05885802) (24.90%)
USAF Nominee No 8 Limited (06381861) (24.90%)
USAF Nominee No 8A Limited (06381869) (24.90%)
USAF RCC Limited (05983554)(16.20%)

Registered office: 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 (24.60%)
LDC (Nairn Street) Unit Trust (24.50%)
UNITE UK Student Accommodation Fund (16.2%)

Registered office: Third Floor, La Plaiderie Chambers, St Peter Port, Guernsey, GY1 1WG

USAF Feeder Guernsey Limited (45.20%)
USAF Portfolio 15 Unit Trust (24.90%)
USAF Portfolio 16 Unit Trust (24.90%)
USAF 15 NRL Limited (24.8%)
USAF Portfolio 17 Unit Trust (24.90%)

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

The Railyard Student Accommodation Unit Trust
Filbert Street Student Accommodation Unit Trust (24.60%)

Registered office: 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 2017.

FINANCIAL RECORD

	2017	2016	2015	2014	2013
EPRA NAV per share (pence)	**720**	646	579	434	382
IFRS NAV per share (pence)	**717**	653	574	416	370
EPRA net assets (£m)	**1,740**	1,557	1,394	881	682
IFRS net assets (£m)	**1,729**	1,452	1,275	843	653
Managed portfolio value (£m)	**4,612**	4,327	3,827	2,951	2,736
LTV (%)	**31%**	34%	35%	43%	49%
EPRA earnings (£m)	**71**	61	50	33	23
Profit/(loss) before tax (£m)	**229**	201	388	108	77
EPRA earnings per share (pence)	**30**	28	29	17	18
Adjusted EPRA earnings per share (pence)	**30**	28	23	17	14
IFRS earnings per share (pence)	**95.3**	101	164	53	46

Other information

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 10 May 2018 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 2017 together with the Directors' report, the strategic report and the auditor's report on those annual accounts (the Annual Report and Accounts).

Directors' Remuneration Report

2. To approve the Directors' Remuneration Report contained within the Annual Report and Accounts.

Final dividend

3. To declare a final dividend for the year ended 31 December 2017 of 15.4p per ordinary share payable on 18 May 2018 to shareholders on the register of members of the Company at the close of business on 13 April 2018.

Scrip dividend

4. THAT the Directors be and are generally and unconditionally authorised to exercise the power contained in Article 142 of the Company's Articles of Association so that they may offer to any holders of ordinary shares of the Company the right to elect to receive ordinary shares credited as fully paid, in whole or in part instead of cash in respect of the whole or some part of any dividend declared or to be declared by the Company on such terms and conditions as may be determined by the Directors, and that such authority commence from the date of approval of this resolution and expire at the beginning of the third Annual General Meeting of the Company after the date on which this resolution is passed.

Re-election of Directors

5. To re-elect Mr P M White as a Director of the Company.
6. To re-elect Mr R S Smith as a Director of the Company.
7. To re-elect Mr J J Lister as a Director of the Company.
8. To re-elect Mr R C Simpson as a Director of the Company.
9. To re-elect Sir Tim Wilson as a Director of the Company.
10. To re-elect Mr A Jones as a Director of the Company.
11. To re-elect Ms Elizabeth McMeikan as a Director of the Company.
12. To elect Mr R Paterson 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 pursuant to 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 £21,920,868 (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 £21,920,868;

    (b) To allot equity securities (as defined in Section 560(1) of the Act) up to an aggregate nominal amount of £43,841,737 (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, 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.

    (ii) To holders of any other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary but 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 in pursuance of such offer or agreement as if this authority had not expired.