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**UNITE
STUDENTS**

**STRONG
FOUNDATIONS
FOR THE FUTURE**

**THE UNITE GROUP PLC
ANNUAL REPORT AND ACCOUNTS 2016**

FRIDAY



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SPE

29/09/2017

#220

COMPANIES HOUSE

HIGHLIGHTS

- > Excellent financial performance
- > Positive reservations and rental outlook for 2016/17
- > Visible earnings growth outlook
- > Development pipeline remains strong
- > Growth prospects remain strong

Earnings per share^{1,2}

Dividend per share

Net asset value¹

Total accounting return

Profit before tax

Loan-to-value ratio

PROVIDING HOMES FOR OVER

49,000

STUDENTS

DELIVERED BY

1,450

PASSIONATE
PEOPLE

OPERATING

140

PROPERTIES

WE WORK CLOSELY WITH

60

UNIVERSITIES
ACROSS THE UK

FOCUSING ON

24

UNIVERSITY TOWNS
AND CITIES

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 adjusted EPRA earnings

* A full reconciliation of the financial statements signed under IFRS to the EPRA performance measures is set out in note 2.2 of the financial statements.

CELEBRATING 25 YEARS



**WE ARE THE LARGEST AND
MOST EXPERIENCED PROVIDER
OF PURPOSE BUILT STUDENT
ACCOMMODATION IN THE UK.**

200

We build our 100th
in Sheffield

We launch joint

1992

We open our first property
in Bristol where we remain
head-quartered and now
have 140 properties, housing
49,000 students for the 2016/17
academic year

1994

We acquire more properties in
Bristol and start specialist property
management services

1999

We are listed on the Alternative
Investment Market (AIM)

2000

We form Europe's
specialist student
investment fund
Accommodation

1998

We open our first London properties

2000

We are floated on London Stock
Exchange to expand into Manchester,
Liverpool and Portsmouth

2009

We are voted one of 'Britain's Top Employers' by the CRF Institute

2010

We open a new London office which provides a base for our property and development teams

2015

We become the first Living Wage Employer in our sector

The first four unite foundation scholars graduate

The National Union of Students awards our students 12 Green Impact Awards for their sustainable work while living with us

4

10th property –

venture with GIC

2011

We have grown to house 40,000 students in 135 properties across 24 University towns and cities every year

We are awarded the Investors in People Silver Award

We launch our employee recognition programme – the Stars Awards

2014

We launch our business purpose, Home for Success

We invest £21 million in improving lighting across all of our buildings to benefit our students and the environment

6

the largest unlisted student accommodation fund, the Unite UK Student on Fund (USAF)

2012

We found and donate £8 million to the Unite Foundation – a charity to support students without family support. Our first 28 students are recruited through four universities and receive scholarships made up of accommodation and a living allowance to support them through their study years

We raise £90 million after issuing a retail bond

We launch the London Student Accommodation Vehicle (LSAV)

We scoop the Student Accommodation Operator of the Year award at Property Week's RESI awards which celebrate successes in the residential property sector

2016

We are awarded the Investors in People Gold Award

We open a sales and marketing office in Beijing

We donate a further £5 million to the Unite Foundation in the form of USAF units

Our students and employees raise £175,000 for Sport Relief

We scoop the Student Accommodation Operator of the Year award at Property Week's RESI awards for the third time

**1/2 MILLION
STUDENTS
HOUSED
SINCE 1991**

**WE LAUNCHED
OUR INNOVATIVE
TECHNOLOGY
SOLUTION, PRISM**

**WE EXPANDED
OUR BUSINESS,
OPENING AN
OFFICE IN CHINA**

Unite
Foundation

STRONG FOUNDATIONS FOR THE FUTURE

More than half a million students have lived with us during our 25-year history and we continue to grow. In 2016, we opened five new properties which means we have the privilege of housing our largest ever number of students, 49,000. As the UK's biggest and most established provider of purpose built student accommodation we have learnt a huge amount from our students and the universities with which we work.

It is critical to our 1,450 employees that we use our unique experience to continue to develop the most supportive student experience, which delivers for our current and future students, our universities and, of course, for our employees.

Our consistently strong performance throughout 2016 and visible development pipeline and operational expertise mean we are well positioned to deliver sustainable earnings growth in the coming years for our investors.

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WHERE WE OPERATE

WE OPERATE ACROSS THE UK IN 24 CITIES, WITH OUR TOP TEN MARKETS MAKING UP 75% OF OUR TOTAL BEDS. 47% OF OUR CAPITAL IS INVESTED IN LONDON.

Top ten properties by value

1

Moonraker Point, London beds: 674 (Wholly owned)
Moonraker Point offers 147 studios and 527 rooms in cluster flats. Situated in Zone 1 and next to the Tate Modern, Moonraker Point provides a home for King's College, London students.

Our development and forward funds pipeline

This is our development pipeline until 2019.
Once complete it will bring 6,965 beds to the market.



2	Stapleton House, London Beds: 862 (LSAV) Great value, high quality student accommodation next to Holloway Road tube station, quick links to all central London Universities.	5	Woburn Place, London Beds: 455 (LSAV) Woburn Place is ideally located adjacent to three University campuses and is at the heart of student life in central London.	8	Emily Bowes Court, London Beds: 693 (USAF) A contemporary room design, Zone 3 location and quick links into central London make this a popular choice for students seeking a lower rent offering.
3	Stratford ONE, London Beds: 1,001 (Wholly owned) This 28 floor property is Unite's largest in London with panoramic views across London and the Olympic Park.	6	St Pancras Way, London Beds: 571 (Wholly owned) St Pancras Way is a short walk from King's Cross and St Pancras stations. The building provides a home for 571 UCL students.	9	Olympic Way, London Beds: 699 (LSAV) Opened in September 2016, this property offers a broad range of studio rooms and providing quick links to central London.
4	The Plaza, Leeds Beds: 1,500 (USAF) Completed in two phases, the property is convenient for both Universities in Leeds. It offers a range of en-suite rooms in three- to six-bedroom flats and studios.	7	Angel Lane, London Beds: 759 Opened in September 2015 with a range of en suite and studio accommodation, Angel Lane is located in Stratford with Westfield shopping centre and the Olympic Park on the doorstep.	10	The Forge, Sheffield Beds: 1,381 (Wholly owned) Campus-style living within a city centre environment providing homes for students at both Universities in Sheffield.

Top ten cities in which we operate*

Rank	City	Completed beds	Full-time student numbers	Market share
1	London	10,124	292,706	3.5%
2	Birmingham	4,846	57,767	8.4%
3	Sheffield	3,731	51,095	7.3%
4	Bristol	3,479	41,286	8.4%
5	Leeds	3,458	53,185	6.5%
6	Manchester	2,336	65,664	3.6%
7	Liverpool	2,239	46,245	4.8%
8	Portsmouth	2,222	18,828	11.8%
9	Leicester	1,687	33,299	5.1%
10	Glasgow	1,643	57,921	2.8%
Total		35,745	717,996	5.0%
Proportion of Unite portfolio		76%		

* Top ten cities in which we operate has been adjusted to reflect the portfolio changes in February 2017, Aston University on-campus acquisition (3,067 beds) and the regional portfolio disposal (4,175 beds)

47% capital invested in London

OUR PURPOSE

Home for success

Individually and collectively, our 1,450 people are driven by a common purpose: to provide the students who live with us a 'Home for Success'. This means providing the best home for all students, helping them grow and succeed at University and beyond.

We do so through the passion of our people, great properties and a deep-rooted commitment to customer service for both our students and our University partners.

The best home...

We provide a high quality and secure living environment where young people can develop academically and socially.

Because we know that while, for most people, University is a time of excitement and opportunity, it can also be a time of anxiety and stress. Our research shows that students who feel well integrated are more resilient and better equipped to navigate the transition to University. We therefore aim to provide an environment, which, in every way, helps them achieve this.

for all students...

We understand that a University education is nowadays a significant investment for young people and believe that no-one should miss out simply because of their personal circumstances.

We therefore offer a variety of accommodation at different price points, ranging from rooms with shared bathrooms, to clusters of ensuite bedrooms with shared kitchens and living spaces to self-contained studio apartments. In addition, the Unite Foundation is currently providing accommodation and a generous living allowance for 134 students from severely disadvantaged backgrounds at Universities across the UK.

helping them grow and succeed...

For many people, University is where the academic foundations of their career are laid. But, for every generation of students, University is more than simply a stepping stone to a job.

It moulds them as individuals and provides a critical bridge to adulthood, where they can learn the interpersonal skills they will need for life. We therefore aim to create an environment that is caring and supportive but also allows our students to express their natural desire for 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 buildings and our focus on customer service, we aim to help our students make the transition from teenagers to resilient adults, equipped for everything that lies ahead. We regularly measure how well we are meeting their needs and are continuously looking for ways to improve our proposition.

OUR BUSINESS MODEL AND STRATEGY

Delivering our purpose through our business model

Unite Students is the sector-leading manager and developer of student accommodation, with a high quality, well-located portfolio of approximately 140 properties in the UK's strongest University towns and cities. We have a customer-focused approach and work closely with our University partners to provide a seamless service to over 49,000 students, providing them with a safe and secure home at a wide range of price points and room sizes, tailoring our service to meet their needs.

Our focused business model seeks to deliver low double-digit total returns and sustainable, growing earnings, by maintaining our competitive advantage, growing and maintaining the highest quality portfolio and being the most trusted brand in the sector, underpinned by a strong capital structure.

We operate through two main Business Units: Operations and Property. Our Operations unit is responsible for the portfolio, including those owned by our co-investment vehicles, USAF and LSAV. We aim to deliver operating cashflows and earnings, delivering sustainable annual growth in rental income and profits, increasing the value of our investment portfolio through the strengthening of our brand. Our operating platform PRISM enhances and improves our operational capabilities, delivering improvements to customer services, revenue management and demonstrating the efficiencies of scale.

The Property business unit is responsible for our development and asset management strategy and oversees our two co-investment vehicles. We identify and manage acquisitions, disposals and the development of operational assets that enable us to leverage our highly scalable operating platform.

Delivering great customer service and building strong relationships with our University partners, the communities in which we operate, our customers, suppliers and 1,450 employees is crucial to our success.

We work strategically with University leaders, using our knowledge and experience to help them with the realisation of their estates and residences strategies. We invest in our employees and support their development, helping them achieve their personal and professional potential. We work closely with the local community, from the early stages of development and planning to providing opportunities for students living with us to volunteer and bring positive benefits to the area in which they live. Overall, we aim to provide the homes and services that enable and support our students' personal and academic achievements.

- 11 Read more: **Market review**
- 12 Read more: **Relationships**

- 26 Read more: **Principal risks and uncertainties**
- 30 Read more: **Operations review**

- 34 Read more: **Property review**
- 40 Read more: **Financial review**
- 44 Read more: **Up to us**

In 2016 we welcomed our largest ever number of students, 49,000. We are the first home from home for the majority of our students meaning that almost one in 10 first year students live with us. We are responsible for more students than any single University.

DELIVERING FOR OUR STUDENTS

PRISM

We launched our innovative technology solution, PRISM, which provides a huge range of benefits for our students.

We will be able to process their bookings much quicker and book them into their rooms faster when they arrive to stay with us. PRISM also has the capacity to speed up how we can respond to student requests on maintenance issues.

15 For more information

Ambassador programme

In 2016 we piloted our Student Ambassador programme, which aimed to identify students living with us who were willing and passionate to share their own first-hand experience to help our new students throughout their time with us.

The 12 initial Ambassadors were recruited across four city locations and actively engaged in helping new students, particularly during the on-boarding experience. The Ambassadors quickly became recognised by new arrivals as the 'go to' people to help them to settle in and the programme will continue to develop.

Focus on employability

As part of our Home for Success commitment, our Employability initiative identifies ways in which we can help students and their friends to be successful in increasing their employability once they finish their University studies.

The Student Ambassador programme piloted in 2016 was seen as a potential stepping stone to identifying such future opportunities, while our online Student Life Hub was also further developed in 2016 to include employability tips.

Meanwhile, for students who finished their University course in 2016, the Unite Students Internship programme gave students the space and tools to learn more about our business, while building employable skills. Ten students joined us as interns in 2016, working in all parts of the business.

45 For more information

DELIVERING FOR OUR UNIVERSITIES

Our long-term agreements with more than 60 Universities across England and Scotland guarantee that more than 50% of our students are allocated rooms in our buildings. As student numbers increase and Universities seek to attract students, they look to us to support them by providing attractive accommodation that fits with their student strategies.

Further strengthening our University partnerships

Dedicated University partnership team working collaboratively with our 60 University partners.

70%

of 2016 openings are let to Universities under nomination agreements

58%

of all rooms let through University agreements

16 For more information

First move into on-campus in Birmingham

Aston Student Village (ASV) acquisition in central Birmingham comprises 3,067 rooms in our first move on-campus.

34 For more information

"I just think the Unite product is inspirational. I think as a brand, they're ahead of other providers in that they've kept the prices not at an unreasonable level."

Unite Students Reputation Survey, 2016 – an independent survey of Higher Education institutes

21 For more information

Investors in People Gold

Unite Students joined the elite group of UK companies to achieve the coveted Investors in People Gold accreditation in 2016.

Developing our teams continues to be a priority for us and this accolade recognises that by providing effective programmes across the company, our teams can deliver excellent customer service, while offering a great place to work with a clear commitment to developing employees.

Living Wage

2016

We were proud to receive the Living Wage accreditation

Training

We have continued to develop our comprehensive range of high quality training courses and development programmes for our employees at all levels. In total, 4,100 training days were delivered to help employees evolve their skills and grow in tandem with the company.

Our leadership framework has also continued to mature, with 43 delegates attending leadership courses throughout the year including the programmes Becoming a Supervisor, Becoming a Manager and leadership development.

4,100

We offered a total of 4,100 training days in 2016

Other related content

- 15 Chief Executive's review
- 38 Operations review

DELIVERING FOR OUR PEOPLE

We have 1,450 employees at Unite Students with the majority working with our students in 24 towns and cities. They are supported by 250 people in our Bristol support centre. Our property and development team have a central London base.

RELATIONSHIPS

WE RECOGNISE THAT THE STRENGTH AND SUCCESS OF OUR RELATIONSHIPS ACROSS A VARIETY OF STAKEHOLDERS HELP US TO CREATE LONG-TERM VALUE FOR THE BUSINESS.

Our success is founded on delivering great customer service and building strong relationships with our University partners, the communities in which we operate, our customers and employees.

We are committed to high ethical standards in the way in which we engage with our customers, partners, employees, shareholders, suppliers and other stakeholders. Our reputation as the most trusted brand in our sector is founded on our achievement of these high standards.

Investors and stakeholders

We seek to provide balanced, clear and transparent communications that allow our shareholders to better understand the business and our strategy, through a programme of regular meetings, Capital Markets Days, results briefings and trading updates with its institutional shareholders, equity analysts and investors. These provide opportunities to discuss the progress of the business. All presentations given to institutional shareholders are made available on our website.

In April 2016, we hosted a Capital Markets Day which allowed investors to view our Coventry portfolio and development pipeline and the opportunity to interact with our cutting-edge operating platform, PRISM. In December 2016, a second Capital Markets Day held in London included demonstrations on how PRISM improves and streamlines our operations.

Universities

We aim to maintain the strong relationships we have built with our University partners who trust Unite Students to provide students with a safe and secure home that supports their personal and academic achievement. In 2016, we have continued to grow the proportion of beds let through University partnerships, increasing the percentage of the portfolio let under nominations agreements with Universities, to 58%.

We can boost our recruitment by offering assurances to students (and their parents) about quality accommodation. When we understood Unite was building next to Wembley Stadium we took the opportunity to take the whole building for our students at the start of the 2016/17 academic year. We believe this will help our University become part of the exciting regenerated community around the stadium, enhancing the experience for our current and future students.

James Kennedy
Chief Financial Officer,
Middlesex University

Students

Unite Students is focused on providing quality services to its students, at no extra cost, to ensure that they have the best resources and facilities available. This includes 50MB/s Wi-Fi access, free fortnightly cleaning services for shared spaces, discounts with retail partners and all inclusive bills and insurance. We also offer a number of career opportunities to help them develop their employability and life skills.

We have also continued to add to the My Unite app and our online platform, the Student Life Hub which has improved our ability to communicate in real-time with our students and engage with them on relevant, interesting and useful topics.

Students' welfare is a core priority for Unite and there are a number of initiatives in place to help better understand and address the issues facing students, conducting extensive research and working closely with University partners to identify and support struggling students.

The impact the Foundation scholarship had on my academic ability and my life in general has been immense. It provided me with a safe, comfortable and independent environment – a space I could call my own. And, most importantly, a space which wasn't going to sprout legs and run away.

Emily Drew
A student and Unite Foundation graduate 2016

People

Our people are at the heart of our business and our engagement with all of our stakeholders. We recruit, develop and retain employees in accordance with the following key themes: Resourcing, Reward, Talent and HR Policies and Procedures, Diversity and Culture.

We are committed to fostering a diverse and inclusive workforce with a culture that is rewarding for all of our people and that remains engaging and challenging. We want to maintain our culture, which delivers high employee retention rates and career development.

The welfare and professional development of our employees is a high priority for us. We have effective systems through which can identify appropriate, high quality training programmes for our employees to evolve their skills and grow in tandem with the company.

I have worked at Unite Students for nearly 12 years. I have learnt and gained so much through my time here, it really has been a great experience. I started off as a caretaker in Birmingham but I always had a particular interest in electrical work and my mentor at the time, saw potential in me. With his and the business' help I was able to go back to college to complete my basic English and Numeracy exams and move on to study to be an Electrician.

Jon Cash
Unite Students Central
Compliance Team

Suppliers

We rely on the strong relationships that we develop with our suppliers and partners. We aim to ensure they share our corporate commitment to providing excellent service to our customers and wider stakeholders, and that they are most suited to our long-term strategy. By selecting the right suppliers through a rigorous tender process, we can ensure that they enable us to drive efficiencies and improve margins, from both an operational and a development point of view. This enables the forming of strong, strategic and mutually beneficial partnerships with consistently high standards of quality and innovation.

Technology is an important resource for Unite Students and following the appointment of a supplier, we conduct ongoing and regular vendor management activities through collaboration between the Procurement and IT departments. This process is designed to not only monitor performance against agreed levels, but to ensure we continue to take a leading role in industry developments.

Forbo Flooring Systems have been working with Unite for over four years now, and it is a partnership we are proud to be part of. From working with the accommodation designers to ensure we get the right flooring solutions for the application, to managing the giant logistics and stock control requirements to ensure projects run smoothly, we are pleased to be part of the process every step of the way.

Elizabeth Bushell
Key Accounts Manager,
Forbo Flooring Systems

Charities and communities

We appreciate the central role that we play in the many communities we occupy across the UK. We work closely with the local community, from the early stages of development and planning to providing opportunities for students living with us to volunteer and bring positive benefits to the area in which they live.

In 2016, in support of our 2016 charity, Sport Relief, our students, people and marathon static cycling world record holder *Jamie McDonald* cycled 43,000 miles and raised £175,000 on The World's Biggest 'Virtual' Tandem. This included a static bike challenge in 24 cities where we have student accommodation and the John O'Groats to Lands End challenge.

We also continued our national volunteering programme, launched in 2015, which allows every employee a paid day to volunteer for a good cause. We also encourage our students to volunteer and support local and national charities. For example through clothing donations alone we raised £140,000 for Cancer Research. The Unite Foundation continues to support young people from the most challenged backgrounds achieve a degree.

We are delighted that Unite Students took on this amazing challenge and raised such a fantastic amount for Sport Relief 2016. The money raised will help give extremely vulnerable and disadvantaged people in the UK, and across the world's poorest communities, a helping hand to turn their lives around.

Anne-Cecile Berthier
Head of Fundraising & Partnerships,
Comic Relief which manages Sport Relief, our charity for 2016

CHAIRMAN'S STATEMENT

STRONG PERFORMANCE DELIVERED THROUGH TALENT AND HARD WORK OF OUR TEAMS

Phil White
Chairman

Governance highlights
The Governance Report on pages 50 to 99 (Inclusive) provides details of the Group's approach to governance and how it supports the delivery of our strategy.

The highlights of the year included:

- Succession planning and talent development – CEO transition during 2016
- Governance/risk management following Leave vote and dynamic external market
- Substantial investment in PRISM
- Preparation for REIT conversion on 1 January 2017.

50 For more information

2016 has been a landmark year for Unite Students for several reasons: celebrating our 25th year, welcoming our 500,000th customer and providing homes for 49,000 students, our largest ever intake in a single year. We also achieved a Gold accreditation in the 'Investors in People' people management standard, placing us in the top tier of businesses.

Performance has again been strong, with a total accounting return of 15% and growth in Adjusted EPRA earnings to £61.3 million, up 24%. Profit before tax was £201.4 million which includes property revaluations of £136.3 million (2015: £388.4 million and £324.6 million respectively). As a result of this strong performance, we are increasing our dividend pay-out ratio to 75%, a year ahead of schedule and declaring a final dividend of 12.0p. This adds up to a total of 18.0p for the full year, an increase of 20% 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.

On 31 May, Mark Allan stepped down as Chief Executive, a role he held since 2006. Mark played a key role in the success of Unite Students and on behalf of the Board and everyone at Unite, I would like to thank him for his service and wish him well for the future.

Richard Smith has taken over as Chief Executive, having been the Managing Director of our Operations business for the last five years, successfully leading the transformation of our service delivery and implementation of our PRISM operating platform.

A core part of our recent success has been our consistent strategy and we will continue to focus on its three main elements: to deliver great service to our students and University partners, to operate brilliant buildings and to maintain high quality earnings and a strong capital structure. As a result of our continuing progress in these areas, we have successfully transitioned to become a REIT, effective from 1 January 2017, and we believe this is consistent with our focus on income and capital discipline.

The outlook for our market remains positive with structural growth being supported 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.

The impact of Brexit is starting to become clearer and we do not expect it to have a material impact on student numbers. Our high quality portfolio, University relationships and market-leading operating platform leave us well placed to continue performing strongly in the years to come.

Phil White
Chairman
22 February 2017

CHIEF EXECUTIVE'S REVIEW

MAINTAINED FOCUS TO DELIVER HOME FOR SUCCESS FOR ALL STUDENTS WHO LIVE WITH US

Richard Smith
Chief Executive Officer

Financial highlights

EPRA earnings

£62.7m ↑

Adjusted EPRA earnings

£61.3m ↑

Adjusted EPRA EPS

27.7p ↑

Profit before tax

£201.4m ↓

Basic EPS

101.3p ↓

Dividend per share

18.0p ↑

Total accounting return

15% ↓

Loan-to-value

34% ↑

In my first year as Chief Executive, I am pleased to report another strong set of results for the year ending 31 December 2016. We have maintained our focus on delivering sustainable growth in recurring profits and cash flow in the long term, and delivering a Home for Success to all of the students who live with us. We do this by providing great service and operating brilliant buildings that students and Universities choose. We also ensure investment discipline to maintain a strong capital structure and deliver high-quality earnings.

Performance in 2016 was driven by another year of strong growth in EPRA earnings, rental growth and development profits, combining to deliver a total accounting return of 15%. Adjusted EPRA earnings (adjusted to exclude the yield related element of the USAF performance fee) increased by 24% to £61.3 million and now represents one-third of the total shareholder return. As a result of the significant growth in earnings and the positive outlook for further earnings growth, we are declaring a final dividend of 12.0p (2015: 9.5p), making a dividend per share of 18.0p for the full year (2015: 15.0p), an increase of 20% year on year.

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

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

Since the year end, we have completed two important strategic initiatives with the acquisition of a 3,100-bed, on-campus portfolio at Aston University and also the sale of a regional portfolio, which together improve our portfolio quality and focus on the best Universities.

The business completed its planned conversion to become a REIT on 1 January 2017. This transition supports our continued focus on earnings, capital discipline and commitment to distribute earnings to shareholders. As a result of the strong performance and positive outlook, we have accelerated our increased pay-out ratio to 75% of Adjusted EPRA earnings (excluding USAF performance fees) a year ahead of schedule.

Delivering great service to our students and University partners

We provide a high-quality and secure living environment where young people can develop academically and socially and make the most of their time at University.

For many people, University is where the foundations of their career are laid. We understand that a University education is a significant investment for young people, and believe that no-one should miss out simply because of their personal circumstances. But, for every generation of students, University is more than simply a stepping stone to a job. It moulds them as individuals and provides a critical bridge to adulthood, where they can learn the interpersonal skills they will need for life. We believe that where a student lives has a material impact on their academic and social experience of University and, ultimately, their lives. We therefore aim to create an environment which is caring and supportive, but also allows our students to express their natural desire for independence.

We recognise that affordability of Higher Education is an important consideration and therefore we offer a variety of accommodation at different price points to students with the majority of our accommodation focused at the mid-range price point for purpose-built student accommodation. 65% of our customers are from the UK and we continue to attract growing numbers of second and third-year students, who now make up one-third of our customer base. We will continue to focus on providing our customers with excellent service and an experience that they value.

Our focus on the student experience is completely aligned to the aims of our University partners, for whom student experience is a key measure. With

CHIEF EXECUTIVE'S REVIEW CONTINUED

students spending more time in their accommodation than on campus, we can demonstrate to Universities how we can support them and their ambitions. This focus has led to 58% of our accommodation being let to Universities through nominations agreements. With an average remaining life of six years, our nominations agreements provide income and rental growth certainty on over half of our revenue. In turn, this provides protection from any potential changes to student numbers, and has helped to deliver average occupancy of 98% and rental growth of 3.5% over the last five years.

Students too, expect more from their accommodation and this year, we maintained customer service satisfaction levels – a key performance indicator for us – at high levels, placing us on a par with some of the best European service companies. We also secured excellent results in our independently assessed employee effectiveness and University trust scores. The delivery of great customer service to students and Universities translates into our strong financial performance, delivering occupancy of 98% and rental growth of 3.8% in 2016 (2015: 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, PRISM and the broader operating platform set us apart from the other operators in the sector and will support the ongoing growth in our portfolio, service levels and financial performance.

Operating brilliant buildings

Our strategy is built around the quality, location and scale of our portfolio. We aim to operate buildings that are located in and around the Universities with the best prospects. We believe that our focus on high-quality Universities across the UK is the best strategy to achieve continued high levels of occupancy and rental growth. We generate 82% of our income from customers attending high and mid-ranked Universities, increasing to 86% on completion of our development pipeline.

During 2016, we opened 3,100 new beds, invested £12 million in asset management and refurbishment programmes and sold £114 million of assets (on a see-through basis). Taking into account these activities together with valuation movements, the value of our investment portfolio (including our share of co-investment vehicles) increased by 14% to £2.1 billion as at 31 December 2016 and is valued at an

average portfolio yield of 5.45% (2015: £1.8 billion and 5.55% yield).

We also made excellent progress with our development pipeline during the year. We completed five new buildings over the summer and secured an additional four new development schemes, which increases our secured development pipeline to 7,000 beds for delivery over the next three years. Construction of all our 2017 openings is progressing in line with plans, planning consents and build contracts are in place for all of our 2018 deliveries and planning permission is in place for all but one of our 2019 schemes.

We are continuing to see attractive development opportunities in strong University markets and we plan to invest selectively in target markets to enhance portfolio quality and deliver target returns. Whilst demand for student accommodation remains strong in London, the fall in land prices over the last 12 months has not been sufficient, when combined with new planning requirements for affordable student housing provision, to enable us to achieve our target returns. We will continue to monitor the situation for opportunities.

The anticipated yield on cost of our secured pipeline is 8.4% and prospective returns on new schemes remain attractive at 8.0-8.5%. The secured development pipeline is highly accretive and remains a significant component of our future earnings growth and could contribute 12-14 pence per share to EPRA earnings once built out.

We 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 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. USAF has acquired two assets under development which will be opened for the 2017 academic year. These 'forward fund' assets represent 404 beds, in Oxford and Edinburgh and were purchased for a combined total of £56 million. Following the year end, LSAV acquired a £227 million portfolio located on the Aston University campus. This exciting development allows us to build a strategic relationship with a high-ranked University and to leverage our PRISM operating system to deliver strong financial returns.

Disposals remain an important part of our strategy and we will continue to recycle assets out of our portfolio to ensure that we increase exposure to the

best Universities in the UK, and also to generate capital to invest in further development activity and exciting opportunities such as the Aston Student Village acquisition. During 2016, we sold £114 million of assets (on a see-through basis) including the sale of two assets to USAF. These assets were sold in line with book valuations. We intend to sell £150-200 million (Unite share) of assets on a see-through basis during 2017 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. We have made good progress already in 2017, having completed the sale of a 4,175-bed regional portfolio in February for £295 million (Unite share £102 million) in line with book value.

Maintaining high quality earnings and a strong capital structure

We have maintained full occupancy across our portfolio (98%) with rental growth of 3.8%. With 58% of this income underpinned by 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 up to 73.1% (2015: 72.5%), and in our overhead efficiency revenue which shows that our overheads, net of management fees, now represents 40 basis points of gross asset value (2015: 48 basis points). We remain confident about our ability to make further efficiency gains and to deliver our targets of 75% and 25-30 basis points by the end of 2017.

Unite's share of net debt grew by £45 million to £776 million in 2016. Our capital expenditure programme (Unite share £146 million) was majority funded by our disposal programme and retained earnings. We maintained our LTV within our target range in the mid-30% level at 34% (2015: 35%) as development profits and rental growth outstripped the increase in net debt. Our net debt to EBITDA ratio is 6.5 (2015: 6.9), again within our target level which we intend to maintain.

Interest rates have remained at low levels throughout 2016, and we have continued to take advantage of these historically low rates both on new debt facilities and through entering into forward starting interest rate swaps in respect of future borrowing requirements of our secured development pipeline. As a result of these activities, our average cost of debt has fallen to 4.2% from 4.5%. We expect it to fall a little further over the next few years as forward starting swaps becomes

effective. At these levels, the spread to ungeared development yields and investment yields remains significant.

The Group's conversion to REIT status reflects the consistency and quality of the earnings profile and its conservative financing strategy. The Group will ensure that the balance of business, gearing ratios and dividend pay-out levels remain within the guidelines set out within the REIT regime.

Market and strategy

The outlook for the student accommodation sector remains positive, with structural factors continuing to drive the demand: supply imbalance in the University markets in which we operate. The UK Higher Education sector is recognised globally for the strength of its Universities and contribution that 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 18 out of the world's top 100 Universities and 47 of Europe's top 200 Universities. We expect the UK Higher Education sector to maintain its global standing and reputation.

The number of applicants and the number of students accepted into courses in 2016 was again at record levels at 725,000 and 540,000 respectively (2015: 710,000 and 530,000), driven by growth in demand from both UK and international students. With applicants outstripping the places offered by Universities by 185,000, the sector is well placed to withstand any potential reductions from UK demographics or the impact of the UK leaving the EU.

Following the removal of the student number cap in 2015, the Higher Education sector is facing further change with the introduction of the Teaching Excellence Framework (TEF) in May 2017. This will provide students with greater visibility of the quality of teaching at Universities and also allow Universities to increase fees in line with inflation if they meet certain criteria. We expect the TEF to have a significant impact on the attractiveness of Universities, particularly to UK students, and we are well placed to respond to changes resulting from this new information.

The gap between the number of applicants and the number of University places could be reduced by external factors, including the potential impact of the EU referendum on student numbers. Since 2015, a demographic trend has seen a reduction in the number of 18-21 year olds, affecting the next four years. Early applications data in January 2017 shows a 5% reduction in applicants for the 2017/18 academic year. However, we expect that the 185,000 surplus of applicants over places and the

removal of the cap means the number of students accepted onto courses will not be materially impacted, and we expect the high and mid-ranked Universities to recruit more students than those at the lower end of the league tables.

The qualities of the student accommodation sector have attracted significant levels of capital investment over the last three years with over £11 billion of investment activity. This increased investment activity has also seen the level of new supply increase and the total number of purpose-built beds to increase to 250,000 beds (14% of the UK's student population). The outlook for new supply suggests that the rate of new supply will continue at a similar rate of around 20,000-25,000 over the next two years. However, a significant proportion of the new beds are focused on the upper end of the price range which will have a minimal impact on our type of accommodation.

Furthermore, our exposure to changes in student numbers is mitigated by our high quality University relationships and nominations agreements and therefore we remain confident that well-located, mid-range, direct-let student accommodation will be able to maintain high levels of occupancy and rental growth.

Outlook

Building on a period of consistent strong performance, and supportive market fundamentals, the Group remains well placed to deliver sustainable earnings growth in the years ahead. Our development pipeline and operational expertise provides good visibility over the future rental growth and increasing recurring earnings. Our portfolio is focused on stronger Universities, plus our highly scalable operating platform and strong brand leaves us well placed to extend our market leading position.

Despite the broader macro uncertainties created by the EU referendum, the supply/demand outlook for student accommodation remains in our favour, and we will look to benefit from opportunities to extend our development pipeline, grow on-campus accommodation and strengthen University relationships. With this backdrop, a strong balance sheet and our new REIT status, we are confident that the business remains well placed to deliver highly attractive shareholder returns.

Richard Smith
Chief Executive Officer
22 February 2017

Chief Executive's Q&A

Richard Smith addresses some topical questions from our shareholders

Q What has the highlight of 2016 been for the business?

A In 2016, we welcomed our 500,000th student to Unite Students, a fantastic milestone in the Company's 25-year history and testament to the high quality service we provide students during their university careers. The launch of PRISM was another important achievement in 2016, which is delivering significant efficiencies for the business and considerably improving the customer experience we can offer to students.

Q How will the exit from Europe affect the business?

A Following the EU referendum, the Government has confirmed that all existing EU students and for the 2016/17 and 2017/18 academic years will have funding provided for the duration of their courses. With 9% of our students coming from the EU, any potential impact on student numbers from the EU referendum would have a limited impact on Unite's occupancy given the continued supply/demand imbalance. We continue to be positive on the outlook for the higher education sector in the UK which is recognised globally for its excellence and its ability to attract talent from across the world.

25 Read more: [Brexit](#)

Q Does the board plan to expand the executive management team?

A The Board, senior management and I remain focused on and committed to the continued success of the business. The Board has established a comprehensive senior leadership development programme to grow and nurture our talent and develop our high performers. This ensures we have a clear talent pipeline for future Board appointments.

MARKET REVIEW

MARKET FUNDAMENTALS REMAIN ROBUST

This year we are seeing another year of student number growth with more students accepting places for the 2016/17 academic year than ever before. A total of 535,000 students started at University in 2015/16, taking the total number of full-time students to £1.8 million, up from £1.7 million in 2014/15. Acceptances have risen 15% since tuition fees were introduced in 2012. Applications continue to outstrip acceptances. A record 723,353 applications were received for 2016/17 which left a demand gap of 188,450 students. This number has remained stable for the last five years. **See Figure 1.**

Demand drivers for student accommodation

We fully expect the demand for UK Higher Education to continue from both domestic and international students. More young

people in the UK are choosing to go to University than ever before, with 37% of 18-year-olds now applying to go to University up from 33% 10 years ago. Expectations continue to rise and we expect to see school leavers continue to place real value on a University education. The UK remains the #2 destination for international students in Higher Education, attracting 10% of international students. The UK draws almost double the number of international students compared with third place Australia. **See Figure 3.**

The UK continues to attract international students due to the high quality of the Universities in the UK. The UK now has three universities in the global top ten, four in the top 20 and seven in the top 50 in Europe, six of the top seven universities are UK institutions. **See Figure 5.**

Education agents support these rankings as 91% rated the UK, as a destination to study as "attractive" or "very attractive". This will support UK nationals' desire to go to university at home as well as drawing more international students to the UK. International numbers grew by 15,000 between 2014/15 and 2015/16.

Student numbers

Total student numbers in the UK have been steadily increasing since 2012. The 2016/17 year is expecting to see 1.8 million students (under-graduate and post-graduate) in the UK. This is a 2% increase from 2015/16 and comfortably above 1% average student growth of the previous five years. **See Figure 6.**

The number of international students has grown since 2015/16 by 1% to 428,000.

International students make up a higher proportion of demand for accommodation. They account for 30% of students needing accommodation, compared with 25% of full-time students. **See Figure 4.**

Unite maintains its focus on providing beds for those segments of the market that suit PBSA, namely international students, who account for 35% and first years, who account for 85% of our beds.

Figure 1: Applicants and acceptances (thousands)

Figure 2: PBSA beds (thousands)

Figure 3: International student mobility

Figure 4: Demand for accommodation (%)

Supply of purpose built student accommodation

The structural growth of the Higher Education sector has attracted significant levels of investment over the last three years. This increased investment has seen PBSA beds grow from around 200,000 in 2014 to 250,000 in 2016. A further 50,000 beds are expected to be built over the next two years, taking the total to around 16% of the full-time student population. In a more competitive market place, the quality of the portfolio, price point, customer service and university relationships are critical to ensuring full occupancy and ongoing rental growth.

Brexit and Immigration

The full impact of Brexit on the UK Higher Education sector will become clearer over the next few months. Funding arrangements have been confirmed for current EU students and those starting in 2017/18.

Following Brexit, we expect to see EU students join other international students and therefore see an increase in fees. However, given the quality of UK Universities and the attractiveness of studying in the UK, we estimate that overall student numbers from the EU should only fall by around 20,000 – 30,000. Universities will work hard to ensure that any fall in student numbers is mitigated with additional recruitment from the UK, the EU and from other international destinations.

Figure 5: University rankings (institutions)

Figure 6: Full time student numbers (millions)

The UK's immigration policy for international students remains one of the most robust in the world, compared with other major destinations for international students. International students make a significant contribution to the UK economy, generating an estimated £10.7 billion of export earnings for the UK, and over 135,000 jobs. Immigration and immigration policy remains a political issue and the sector will continue to monitor and assess the impact of any further changes in this area.

EU research funding currently accounts for £688 million or 2.5% of total income for Universities and there are concerns regarding the long-term outlook for this funding. Universities' exposure to this issue varies, with six UK institutions receiving over 50% of their research funding from the EU.

However, the Government has stated that Universities will have certainty over future funding and should continue to bid for competitive EU funds while the UK remains a member of the EU, with a commitment that the Treasury will underwrite the payments of such awards, even when specific projects continue beyond the UK's departure from the EU.

- 5 Read more: **Our business model and strategy**
- 26 Read more: **Principal risks and uncertainties**

KEY PERFORMANCE INDICATORS

FINANCIAL KPIS

Earnings per share*

Pence

28p

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.

Target

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

Alignment to strategy

2 3

Total accounting return

%

15%

Measure

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

Comments

Total return has averaged 16% in the last six years, driven by the growth in EPRA earnings, yield compression, rental growth and development profits. The performance in 2016 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 double digit-total returns.

Alignment to strategy

2 3

Net asset value*

Pence per share

646p

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 brilliant properties.

Target

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

73 Remuneration

Alignment to strategy

2 3

Loan-to-value ratio

%

34%

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.

73 Remuneration

Alignment to strategy

1 2 3

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

OPERATIONAL KPIS

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

- 2 - 3

Employee effectiveness

%

54%

Measure

We have an employee survey tool, run by the Hays Group, called Employee Effectiveness.

Comments

Our new survey results provided detailed insight into the motivations and drivers of our employees and positions us 6% above the General UK Industry Benchmark (48%) and 1% behind the High Performing Industry Benchmark (55%) in our third year.

Target

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

Alignment to strategy

- 2 - 3

Key

Great service

Brilliant properties

Growing and sustainable earnings

Customer satisfaction

%

80%

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

While there has been improvement in customer satisfaction over the prior four years our 2016 result moved back 3% points. We need to work hard through our strategic priority to offer great service so that we put customers at the heart of that process.

Target

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

73 Remuneration

Alignment to strategy

- 2 - 3

Higher Education trust

%

79%

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.

Alignment to strategy

- 2 - 3

RISK MANAGEMENT

STRATEGIC PLANNING AND RISK MANAGEMENT IN A DYNAMIC EXTERNAL MARKET

Chris Szpojnarowicz
Company Secretary and Head of Legal

2016 – the year we celebrated our 25th birthday – was the most dynamic external market the PBSA sector has seen to date. With the Higher Education sector and the broader economy facing new challenges such as Brexit and political changes around the globe, our strategic planning and risk management is evolving in response to these changes.

Being well prepared for a combination of risk events happening at the same time is central to our readiness preparation. Affordability and value for money is increasingly important and our risk management focus on student experience and the efficient delivery of a quality product is more important than ever. The following pages provide insight into our key risks and how we navigate them.

Assessing our risk profile and key risk developments during 2016

As an intrinsic part of our strategic planning, and to support the Board's robust assessment of the Group's principal risks and its ongoing longer term viability, the Board conducted a thorough review of our risk profile. This review involved both a top-down approach:

- › the Board considered a wide range of strategic and emerging risks and opportunities and their impact

and a bottom-up approach:

- › the Board scrutinised and challenged the risks identified in the Operations and Property Business Units, as well as our financing and treasury risks.

To ensure a broader perspective, this review included engagement with external experts, such as property valuers & health & safety auditors, as well as senior leaders

in the Higher Education sector. This external engagement was especially important this year as the sector starts to digest the impact of Brexit.

This risk profile review identified four risk categories:

Market – supply and demand	26
Operational risks	27
Property/development risks	28
Financing risks	29

These risk categories are consistent with those identified in prior years, with movement in specific risks – driven principally by uncertainty due to Brexit – as follows.

Related sections

5	Business model and strategy
12	Relationships
18	Market overview
20	Key performance indicators (KPIs)
26	Principal risks and uncertainties
50	Corporate governance

Market risks (reduction in demand)	Increasing uncertainty following the Leave vote and the impact on the Higher Education sector, UK plc and immigration policy uncertainty flowing from this. While the impact of Brexit on the UK economy and Higher Education sector remains unclear, it has led to greater uncertainty. We have focused a significant proportion of our risk activity understanding the potential impact on our business.
Property/development risks	Liquidity and uncertainty in the broader real estate sector. The property market has been affected by Brexit and broader macro economic factors. We have focused risk activity on determining how this impacts our property-related business activity during the year.

26 Read more: **Principal risks and uncertainties** on pages 26 to 29.

Re-calibrating our risk appetite in 2016

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 double-digit total returns and sustainable growing earnings. Having regard to the key risk developments in 2016 set out on page 22, the Board recalibrated our risk appetite. This recalibration considers both threats to – and opportunities in – our business in the context of macro and minor developments, not only in the PBSA sector, but also the broader Higher Education sector, property market and economy more generally.

Strategic objective	Underpinning strategic business
Great service	With higher fee levels, the affordability and value of Higher Education remains a risk focus. Home for Success, PRISM and our University relationships remain an opportunity for us to differentiate from competitors.
Brilliant properties	Focusing our portfolio on high quality Universities and recycling our portfolio in a competitive market place. Undertaking development activities.
Growing and sustainable earnings	During 2016, focus on becoming a REIT and ongoing compliance with REIT tests to enable REIT conversion effective 1 January 2017. Planning and completing our conversion to REIT status. Maintaining full occupancy across our portfolio.

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 three strategic objectives set against our risk profile (described directly below). Recognising that risk events do not necessarily happen in isolation, the Board then stress tests these projections against various multiple combined risk events. Through this process, a base case and stress tested Strategic Plan is developed.

During 2016, 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.

Increase in
interest rates

Yield
expansion

The influences
of multiple
combined
risk events

Reduction in EU/
international
students

Mapping our three strategic objectives against our risk profile

Strategic objective	Strategic business	Strategic business
Great service	Market (supply and demand) Operational	The health, safety, wellbeing and security of the 49,000 students who make Unite Students their home is the foundation of our reputation and continued focus on health & safety is key to building and maintaining this trust. Affordability and value for money are increasingly critical in the increasingly competitive market place. Developing the most trusted brand in the sector continues to be critical to our sustainable and longer term success.
Brilliant properties	Property/development	Our focus on working with high and mid ranked Universities means that we will recycle capital into higher performing cities. Property development is a higher risk, higher return activity.
Growing and sustainable earnings	Financing	Maintain a timely approach to arranging new debt and extending debt maturities, reducing the cost of funding, diversifying our funding sources and introducing new lenders to the Group. Secure a strong balance sheet with appropriate levels of leverage and liquidity to ensure the business can withstand any property cycle.

RISK MANAGEMENT CONTINUED

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 that has operated 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.

During 2016, this corporate culture was assessed as part of the Board's effectiveness evaluation, using the key learnings from the Financial Reporting Council (FRC)'s recent report, Corporate Culture and the Role of Boards.

62 Read more: [Effectiveness](#)

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 three strategic objectives, the Group is able to ensure risk management is proactive 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 Business Unit risk management activity allowing a focused forum for risk identification and review
- Board directors also sit on Business Unit boards and thus provide the Board with direct line of sight to Business Unit risk management activity
- Risk assurance through external and internal auditors as well as specialist third party risk assurance where appropriate (e.g. specialist independent health and safety compliance in the Operations and Property Business Units).

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 26 to 29.

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 Business Unit boards
- Monthly risk tracker review at Business Unit boards
- Risk Committee review of all risk trackers

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 Szpajnarowicz
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 three strategic objectives

Strategic objective	
Great service	Customer satisfaction
	Safety
	Higher Education trust
	% Noms v. Direct Let
Brilliant properties	Net asset value
	Age of asset
	Occupancy
	Rental growth
Growing and sustainable earnings	Earnings per share
	Total return
	Net debt
	Loan-to-value ratio
	Net debt : EBITDA

Viability statement

The Directors have assessed the viability of the Group over a three-year period to December 2019, taking account of the Group's current position and the potential impact of the principal risks. The Directors consider the three-year outlook period to be the most appropriate as this fundamentally 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 2019.

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 a basis for setting all detailed financial budgets and strategic actions that are subsequently used by the Board to monitor performance.

The forecast performance outlook is also used by the Remuneration Committee to establish the targets for both the annual and longer term incentive schemes.

The financing risks of the Group are considered to have the 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 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.

40 Read more: *Financial review*

Our risk management in action: Brexit

One tool in our risk management process is a risk 'deep dive'. This involves an in-depth review of a specific risk with Brexit a key focus since the prospect of an In/Out referendum first crystallised in 2015.

In the period through to June 2016, our risk deep dive process concluded that no specific pre-emptive actions (other than ongoing engagement with the Higher Education sector) should be taken for our business in the event of a Leave or Remain vote. This decision was driven by the anticipated impact to our business if there was a Leave vote (see below) and the minimum two-year transitional period under Article 50. Engagement with the Higher Education sector is helping inform our thinking on implications for the PBSA sector and specifically our business.

Our risk deep dive process concludes that Brexit should not significantly impact our business for the following reasons:

- Following a period of initial uncertainty immediately after the result in June 2016, confidence has returned to the PBSA market with a high volume of portfolios and assets trading in the second half of 2016
- EU research funding is important to UK Universities and this, together with the immigration status of EU academics and EU students in the UK more generally, clearly creates uncertainty for the Higher Education sector along with the broader uncertainty in the wider economy. This uncertainty is moderated by the strength of UK Universities (the second largest destination for international students after the US); the ongoing internationalisation of Higher Education with the global rise of the middle classes. Sterling depreciation also makes UK Higher Education/accommodation more affordable for international students
- EU students' funding arrangements under current tuition fee arrangements are confirmed for 2016/17 and 2017/18, but there is uncertainty beyond then. EU students represent 9% of our customers and so any impact on EU student numbers would have a limited impact on our occupancy
- Despite these broader uncertainties, the supply/demand outlook remains favourable and with the benefit of our development pipeline, the strengthening of our University relationships and our focus on high and mid-ranked Universities, our business is well placed to navigate the uncertainty risk.

We continue to monitor the developments and engage in the other risk management actions outlined in the principal risks (see page 26).

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 2016

- > Student numbers in the UK continue to grow with approximately 3,000 more applicants than 2015/2016
- > The total number of applicants in 2016 also grew with 155,000 more applications than places
- > Stronger growth (3% in acceptances) in the high and mid-tariff Universities
- > Unite Students occupancy of 98% (2016/2017) compared to 99% (2015/2016) but more beds 49,000 at 31 December 2016 as compared with 46,000 at 31 December 2015. Increase in overall student numbers continues to translate to more students staying at Unite
- > EU students funding arrangements for duration of study confirmed for 2016/2017 and 2017/2018
- > During 2016, we have seen an increase in nominations with more committed to beds than ever before 58% beds – 2016/2017 vs. 57% 2015/2016

31 Read more: [Occupancy and success of nominations](#)

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 2016

Risk deep dive into impact of Brexit.

25 Read more: [Our risk management in action: Brexit](#)

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.

20 Read more: [Key performance indicators \(KPIs\)](#)

Strategic objective

Offering great service is key to helping us sustain any reduction in demand (as well as ensuring we have brilliant properties and growing and sustainable earnings to manage any demand deficit).

5 Read more: [Our strategy](#)



Focus for 2017

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 2016

During 2016, rolled out PRISM, our digital and scalable operating platform, driving efficiency and customer service

31 Read more: [PRISM](#)

Applications and acceptance data continue to provide evidence that stronger Universities are performing better.

18 Read more: [Market Review](#)

Enhanced service levels over the last few years with faster Wi-Fi speeds, free communal cleans and enhanced common spaces.

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 2016

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 great 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

5 Read more: [Our strategy](#)

Focus for 2017

Using 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

Great service

Brilliant properties

Growing and sustainable earnings

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 2016

Volume of PBSA assets traded in 2016 moderated from record levels seen in 2015

During 2016 continued roll out of Home for Success and maintaining a strong proportion of beds secured under nominations agreements at 58% (2015, 57%).

Opening of five new properties during 2016

34 Read more: [Properties delivered](#)

Level of new supply

18 Read more: [Market review](#)

Risk Mitigation in 2016

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 deals
- 30 Read more: [Operations review](#)
- > Investment in our brand and student experience – creating better environments within our new developments through Home for Success initiative
- > Maintaining strong relationships with key Higher Education partners.

Strategic objective

Offering great service as well as having brilliant properties is critical to mitigating any supply surplus.

Focus for 2017

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 has happened during 2016

With fire as our biggest safety risk in our operating portfolio, during 2016 we established a Primary Authority Agreement with the Avon Fire Authority to focus on:

- > The development journey for our fire strategy decisions
- > Fire Safety Management – improved policies and procedures, risk assessments, training & fire records
- > Maintenance Regimes – testing and planned preventative maintenance
- > Specification for new builds and developments.

External assurance sought through:

- > Appointment of the British Safety Council as our new external safety auditor
- > Physical security review of our properties by WSP Parsons Brinckerhoff.

Continued good performance against our operational safety KPI, with five reportable accidents and positive results against our KPIs in our development activity.

20 Read more: [Key Performance Indicators \(KPIs\)](#)

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.

78 Read more: [H&S Committee report](#)

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

Risk Mitigation in 2016

Regular external audits and internal inspections of our properties. Full review of our operations risk assessments to ensure adequate hazard control, together with improved contractor management and permit to work system for hazardous work activities. Improved safety training, using augmented reality, focusing on driving for work, lone working, safety signage, housekeeping/maintenance, hazards such as chemicals, machinery, asbestos and personal protective equipment. This includes an interactive game for accident, incident and near misses.

Strategic objective

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

5 Read more: [Our strategy](#)

Focus for 2017

Work on the journey to interdependence with empowerment in day to day H&S management at the core of everything we do.

Ongoing focus on continuous improvement (including prioritising the fire risk review, crisis management, security review and external audit recommendations and actions)

Integrating wellbeing into the H&S Management System.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

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

What happened in 2016

Five sites acquired, adding 3,082 beds to the development pipeline;

Five planning consents secured.

2016 schemes delivered, on time and to budget.

34 [Read more: Property review](#)

Impact

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

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 2016

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

2 [Read more: Development activity](#)

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

Strategic objective

Brilliant properties

5 [Read more: Our strategy](#)

Focus for 2017

Main focus will be on delivering multilocation developments and securing pipeline for 2020.

2 [Read more: Development pipeline](#)

Possible events

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

Impact

- > Reduction in asset values reducing financial returns

What happened in 2016

Volume of PBSA assets moderated in 2016 following record volumes in 2015

The value of the Group's investment portfolio (including our share of co-investment vehicles) increased to £2,277 million as at December 2016 (31 December 2015: £2,065 million) with the average portfolio yield falling 9bps to 5.4%.

During 2016 we continued to maximise our portfolio value through a programme of selective developments, acquisitions, disposals and refurbishments.

39 [Read more: Disposals](#)

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

36 [Read more: Rental growth and portfolio value](#)

Risk management

Group Board and Property 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 in 2016

Disposals – ongoing monitoring of our entire portfolio with selective disposals to benefit from keener prices in the market. We sold £114 million of assets in 2016.

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

Careful management of net debt and see-through LTV.

Maintaining disciplined approach to new development transactions by maintaining Group hurdle rates

Strategic objective

Brilliant properties.

5 [Read more: Our strategy](#)

Focus for 2017

To continue to acquire sites in line with Group hurdle rates and to procure contracts in line with budgets.

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 2016

During 2016, LTV ratio improved to 34%, from 35% at the end of 2015 and net debt grew by £45 million to £776 million. During 2016, £150 million of new debt was arranged.

100% of debt at fixed rate/swapped.

During 2016 our average cost of debt has fallen to 4.2% from 4.5% 2015 and we expect it to fall further by the end of 2017 as a proportion of forward starting swaps become effective.

48 Read more: [Financial review/capital structures](#)

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.

Risk Mitigation in 2016

Regular and reliable engagement with lenders.

With benign interest rate environment, 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 2017 and 2018 development pipeline).

48 Read more: [Debt renewal/development debt and swaps](#)

Strategic objective

Growing and sustainable earnings.

5 Read more: [Our strategy](#)

Focus for 2017

Funding future development acquisitions as well as 2017 funding requirements for the Group, USAF and LSAV.

OPERATIONS REVIEW

GREAT SERVICE

Our strategic objective

Our commitment to providing a Home for Success for students and to be the most trusted brand in the sector is centred around our high quality properties, helpful staff and a commitment to great customer service for both our students and University partners.

The implementation of our operating platform, PRISM, has brought considerable improvements to our customer service, allowing us to move to a seven day operating model, offer online room viewings and to adopt paperless tenancies. These improvements have resulted in the time for tenancies to be confirmed reducing to five days from 15 days. 30% of bookings are now done online or through mobile bookings, ensuring the process of securing accommodation is

as easy and as efficient as possible for students. Additionally, through our Living with Unite app, 75% of maintenance jobs are now fixed within 24 hours.

Our Home for Success investment programme, which has seen us invest £40 million across key areas of the business including physical, digital, customer service and people, has been completed. We have enhanced our Wi-Fi speeds across student rooms and communal spaces to 50Mbps, completed the installation of our LED lighting programme and our Student Life Hub continues to prove popular with students.

We continue to build on our strong relationships with over 60 high and mid-rank Universities, with nominations agreements now representing 58%, with new terms agreed for a longer

duration, on average 10 years, compared to seven years for existing arrangements. Our partnerships ensure that Universities are able to provide their students with accommodation close to campus and a safe and secure environment in which to live, succeed in their academic studies and meet fellow students.

Our continued focus on customer service has led to high occupancy levels with 98% of beds let and rental growth of 3.8%. In 2016, we achieved record high levels of customer satisfaction and a growing proportion of return students, demonstrating our commitment to helping students grow and succeed at University and beyond.

BUILDING ON OUR GREAT SERVICE THROUGH THE LAUNCH OF OUR NEW OPERATING PLATFORM

Simon Jones
Operations Director

Q&A

Simon Jones addresses some topical questions from our shareholders

Q How has PRISM benefited the services Unite provides?

A Our operating platform, PRISM, which is unique to Unite, allows us to drive greater efficiencies of scale while offering the best possible service to our customers. PRISM has allowed us to move to a seven day operating model and offer new services such as online bookings and room viewings, in addition to paperless tenancies. These improvements have not only delivered efficiencies for the business but greatly improved the service we provide to our students. As we continue to grow the portfolio, PRISM enables us to demonstrate a different approach to other operations.

Q Do you envisage growing the proportion of your beds offered through University partnerships?

A We pride ourselves on our partnerships with Universities and work with them to ensure that they are able to offer high quality accommodation and services to their students, an important component of the overall student experience. Nominations agreements make up 58% of the portfolio with the remaining beds let directly to students. We continue to explore future partnerships with Universities, which typically span 10 years and provide visibility on future income. We expect to remain at around this level.

Q How important is the affordability of your accommodation to your business model?

A Affordability is important for students and therefore it is important to us. We offer a wide range of price points and room sizes as part of our focus on delivering a more affordable proposition for students. Over the past few years, Unite has focused on delivering a more affordable proposition for students. We also reinvest each year in the accommodation and extend our student services so that students get value for money.

Q How do you assess and value competition and what do you do to counteract it?

A We monitor the market closely and competition for sites and property portfolios has continued. We continue to invest in our key differentiators such as our portfolio scale and the locations of our buildings as well as PRISM, through which we deliver unmatched customer services, and through our Higher Education industry experience and relationships. Our expertise continues to be important as investor interest in the sector increases.

Related sections

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OPERATIONS REVIEW

CONTINUED

Summary EPRA Income statement

	2016 £m	2015 £m
Unite's share of rental income	159.1	144.3
Unite's share of property operating expenses	(42.8)	(39.8)
Net operating income (NOI)	116.3	104.5
NOI margin	73.1%	72.5%
Management fees	14.0	12.0
Operating expenses	(23.1)	(21.9)
Finance costs	(45.9)	(48.1)
USAF acquisition and net performance fee	6.9	22.0
Development and other costs	(5.5)	(7.2)
EPRA earnings	62.7	61.3
Yield related element of performance fee	(1.4)	(11.8)
Adjusted EPRA earnings	61.3	49.5
Adjusted EPRA EPS	27.7p	23.1p

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

The Group continues to report on an IFRS basis and to also present 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, the strength of our brand and the strength of our relationships with Universities. We have continued to build on these strengths throughout 2016, resulting in a £11.8 million, 24% increase in Adjusted EPRA earnings to £61.3 million compared to last year (2015: £49.5 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.

The Group's share of rental income has increased by £14.8 million, up 10%, as a result of new openings and sustained rental growth. NOI margin improved to 73.1% (December 2015: 72.5%), reflecting further operating efficiencies that were driven by the implementation of our new PRISM operating platform during 2016. PRISM provides us with the ability to differentiate ourselves from others, driving efficiencies through the use of technology which enables us to provide enhanced levels of service to our customers. We maintain our expectation that NOI margins will improve towards 75%, although balancing margin growth and service level enhancement will remain our overriding priority.

We are now managing 49,000 beds compared to 46,000 at 31 December 2015. Alongside this increase in beds there has been a growth in overheads of £1.2 million, driven mainly by depreciation costs associated with the new PRISM system, and we expect a further small increase of depreciation costs in 2017. Recurring management fee income from joint ventures increased by £2.0 million to £14.0 million (2015: £12.0 million), as a result of the growth of assets under management in USAF and LSAV. In addition to the recurring asset management fees, a further £6.9 million of net USAF performance and acquisition fees were generated (2015: £22.0 million). Our key overhead efficiency measure (total operating expenses less management fees as a proportion of Unite's share of property value) continues to improve and now stands at 40bps (December 2015: 48bps), and we remain focused on our target of 25-30bps by the end of 2017 based on current yields.

The £6.5 million USAF net performance fee is payable in units and is based on USAF's cumulative total return at 31 December 2016. The component of the fee that relates to yield movement has been excluded from Adjusted EPRA earnings purposes to reflect a normalised level of earnings. The operational element of the performance fee is driven by USAF's income and rental growth performance and is not expected to significantly add to our earnings performance going forward given the current valuation yields, gearing levels and rental growth outlook.

Finance costs decreased to £45.9 million (2015: £48.1 million). An increase in net debt of £45 million to £776 million (2015: £731 million) was offset by a lower average cost of finance of 4.2% (2015: 4.5%) as we have added new debt facilities at lower average rates, taking advantage of the historically low cost of debt. In addition, the increase in net debt has been driven largely by spend on development activities which has in turn led to an increase in the amount of interest that is capitalised into development schemes to £5.9 million, up from £2.7 million in 2015. We expect the level of interest capitalisation to remain at around this level given the ongoing level of development activity in 2017. Development (pre-contract) and other costs fell to £5.5 million (2015: £7.2 million), reflecting the levels of site acquisition in the business, 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 2016/17 academic year stands at 98% and like-for-like rental growth of 3.8% was achieved on our stabilised portfolio. We have continued to grow the proportion of beds let to Universities with 58% of rooms under nominations agreements, up by 5,000 beds over the last three years. Enhanced service levels and our deep understanding of student needs have resulted in longer term and more robust partnerships with Universities.

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. On average, rents on nominations rooms are c.5% below direct let equivalents and, based on our recent experience with new agreements, there is an opportunity to close this discount in the coming years.

Reservations for the 2017/18 academic year are encouraging, at 73% (67% at the same point last year) as a result of our continued focus of working alongside the UK's best Universities as well as our local presence in China building relationships with Chinese Universities. This structural growth within the cities we operate, together with our differentiated service offering, provides us with further

69%

Reservations for the 2017/18 academic year

THE FINAL ELEMENTS OF PRISM WERE DELIVERED IN 2016, PROVIDING FULL ONLINE VIEWING AND BOOKING FUNCTIONALITY ALONGSIDE ENHANCED MAINTENANCE SERVICE LEVELS AND REVENUE MANAGEMENT FUNCTIONALITY

confidence in occupancy and rental growth for the 2017/18 academic year which we expect to be in the region of 3.0-3.5%.

Home for Success

Our Home for Success investment programme provides us with a real point of differentiation to other providers of student accommodation. The programme, which was initiated in 2014, generated significant enhancements in our operating platform, the establishment of communal study and relaxation spaces that our customers have told us that they want and the development of a sense of home within our properties. These factors, together with our service levels, student insight, prime locations and mid-market price points, make us stand out for students and Universities.

Investment in people,

technology and relationships

Satisfaction with service and the strength of our relationships with Universities has been maintained at high levels as both students and Universities benefit from the investments that we are making. The final elements of PRISM were delivered in 2016, providing full online viewing and booking functionality alongside enhanced maintenance service levels and revenue management functionality. We will continue to invest in and evolve this platform to maintain our sector leading advantage in this area.

We have continued to invest in our digital capabilities, focusing on the student experience. In 2016, this has seen us deliver further enhancements to our student-focused apps and our website, a portfolio-wide communications portal to drive engagement and to help students access the information they need to support them during the course of the academic year. Our apps and digital platforms provide students with a hassle free solution to every day concerns, provide them with the support they need and so allow them to focus on their studies and time at University.

Developing our teams remains a priority for us and we have implemented new leadership programmes across the whole organisation over the past two years. These programmes ensure that we are providing our teams with the training required to deliver excellent customer service as well as developing their careers, and they have been an integral part of our successful attainment of Investors in People Gold status in 2016.

We also continue to invest meaningfully in our Higher Education sector relationships. Our Universities Partnerships and Engagement team is dedicated to building strong working relationships with key University partners, and this approach has seen us incorporate University requirements into new developments and driven the growth in the number of beds under nominations agreements.

In China, our marketing office is now fully operational and our local online presence has been established. We have also started to create meaningful 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 benefit to the business as well as to Chinese students and UK Universities.

Simon Jones
Operations Director
22 February 2017

PROPERTY REVIEW

BRILLIANT PROPERTIES

Our strategic objective

Greetham Street, Portsmouth

Stapleton House, London

In 2016, we opened five new buildings, adding to our portfolio of high quality, conveniently located accommodation for students studying in the strongest University towns across the UK. The new buildings increased our number of beds by 3,082 to a total of 51,310. The buildings comprise mainly cluster flat accommodation and provide facilities such as on-site laundry, study space, communal areas and dry cycle storage. We entered 2016/17 with the largest ever number of students at the start of an academic year.

More than half of the beds, 1,561, are located in London at our two new sites: Olympic Way and Stapleton House. Olympic Way, which has been let to Middlesex University under a nomination agreement, sits next to the iconic Wembley Stadium and is part of the regeneration of that area. Stapleton House, Holloway Road, also opened its doors to students in September 2016 and is let under a nomination agreement to London Metropolitan University.

Two further completions, Greetham Street Portsmouth and Far Gosford Street Coventry, were acquired by USAF, recycling capital for the Group's development pipeline, with an additional development completed in Aberdeen. The acquisition by USAF was funded with a new £100 million, five-year facility provided by Wells Fargo. Both properties are on nomination agreements to Portsmouth University and Coventry University and are fully let for the 2016/17 academic year.

We continue to progress our 7,000-bed development pipeline which extends out to 2019, with five schemes set to open in September 2017. These developments will provide a home for students studying at some of the UK's strongest Universities in Coventry, Edinburgh, Liverpool and Oxford.

Causewayend, Aberdeen

In addition to this, we acquired five development sites: St Vincent's Sheffield, International House Birmingham, Chaucer House Portsmouth, Skelthorne Street Liverpool and Millennium Way Coventry and secured four planning consents (Skelthorne Street Liverpool, International House Birmingham, Millennium Way Coventry and Brunel Chaucer.)

COMPLETION OF FIVE BRILLIANT PROPERTIES AND STRENGTHENING OUR DEVELOPMENT PIPELINE

Richard Simpson
Group Property Director

Q&A

Richard Simpson addresses some topical questions from our shareholders

Q Has investor appetite for the sector continued?

A Purpose built student accommodation continued to attract high levels of investment in 2016 at £3.25 billion, albeit at slightly lower levels than seen in 2015 at £5.5 billion. Transaction volumes have remained healthy, supporting current valuations, with a range of buyers in the market. This continued interest reflects the defensive nature of the asset class and attractive rental growth outlook.

Q Are you seeing future development opportunities given the levels of new supply coming onto the market?

A There is still strong demand for affordable, well-located and high quality accommodation in leading University towns and cities. Our development pipeline of 7,000 beds spanning until 2019 is progressing well. We continue to monitor the market for development opportunities that are in line with our target returns for regional development, focusing on high to mid-ranked Universities in towns and cities which we expect will see the strongest growth.

Q Do you envisage the London market for development opening up?

A We are starting to see signs that opportunities may re-emerge in London. However, returns on potential new projects in London remain below our hurdle rate due, principally to excessive planning levies and higher alternative use values for prospective sites. We monitor the market closely and remain alive to future opportunities.

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PROPERTY REVIEW CONTINUED

EPRA NAV growth

EPRA NAV per share increased by 12% to 646 pence at 31 December 2016, up from 579 pence at 31 December 2015. In total, EPRA net assets were £1,557 million at 31 December 2016, up from £1,394 million a year earlier.

The main factors behind the 67 pence per share growth in EPRA NAV per share were:

- The growth in the value of the Group's share of investment assets (+34 pence), as a result of rental growth (+26 pence) and yield compression (+8 pence)
- The value added to the development portfolio (+21 pence)
- EPRA earnings for the period (+25 pence)
- Dividends paid of 14 pence 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 43 pence per share of NAV uplift and 13 pence of earnings per share once completed.

Property portfolio

The valuation of our property portfolio at 31 December 2016, including our share of gross assets held in USAF and joint ventures, was £2,277 million (31 December 2015: £2,065 million). The £212 million increase in portfolio value (Unite share) was attributable to:

- Capital expenditure on developments of £146 million and £12 million on investment assets relating to refurbishment and LED installations
- Disposals of £114 million
- Valuation increases of £136 million on the investment and development portfolios, with like-for-like rental growth of 3.8% being generated on the stabilised portfolio
- Increased share of USAF of £32 million, as a result of the performance fee earned in 2015.

Summary balance sheet

	2016			2015		
	Wholly owned £m	Share of Fund/JV £m	Total £m	Wholly owned £m	Share of Fund/JV £m	Total £m
Rental properties	1,062	1,023	2,085	1,024	811	1,835
Properties under development	185	7	192	150	80	230
	1,247	1,030	2,277	1,174	891	2,065
Adjusted net debt	(432)	(344)	(776)	(448)	(283)	(731)
Other assets/(liabilities)	(15)	(14)	(29)	(5)	(18)	(23)
Convertible bond	85	–	85	83	–	83
EPRA net assets	885	672	1,557	804	590	1,394

* A reconciliation of the IFRS balance sheet to EPRA net assets is set out in section 2.2 of the financial statements

The proportion of our property portfolio that is income generating is 92%, up from 89% at December 2015, with 8% now under development. With the completion of the LSAV development pipeline, the majority of development activity relates to wholly-owned assets. 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.

Unite investment portfolio analysis at 31 December 2016

		USAF		Wholly owned	Lease	Total	Unite share
London	Value (£m)	351	965	425	–	1,741	988
	Beds	2,014	5,861	1,989	260	10,124	47%
Major provincial	Value (£m)	1,584	44	440	–	2,068	826
	Beds	20,656	331	5,914	2,577	29,478	40%
Provincial	Value (£m)	322	–	197	–	519	271
	Beds	4,804	–	3,253	1,059	9,116	13%
Total	Value (£m)	2,257	1,009	1,061	–	4,327	2,085
	Beds	27,474	6,192	11,156	3,896	48,718	100%
Unite ownership share		23%	50%	100%	–		
Unite ownership (£m)		519	505	1,061	–	2,085	

The investment portfolio (see-through) is split between London (47%) and the rest of the UK (53%), broadly in line with previous years. The regional focus of our development pipeline means that the London weighting is likely to fall to around 35% as the portfolio is built out.

Student accommodation yields

The level of transactions in the student accommodation sector has remained high in 2016 following the unprecedented levels seen in 2015, with over £3 billion of assets trading during the year. The majority of buyers have been supported by global institutional capital. An element of uncertainty in the few months following the EU referendum in June was replaced with confidence in the market with a high volume of portfolios and assets trading in the second half of the year.

As a result of the investor appetite and subsequent transactions, there has been a modest level of yield compression across the sector. This yield compression has been reflected in our portfolio and the average yield (on a see-through basis) at 31 December 2016 was 5.45%, an inward movement of nine basis points over the year.

Indicative valuation yields

	31 Dec 2016	31 Dec 2015
London	4.5-5.0%	4.5-5.25%
Prime provincial	5.25-5.75%	5.35-5.8%
Provincial	6.0-6.5%	6.0-6.5%

Development activity

Development activity continues to be a significant driver of growth in NAV and future earnings. We are continuing to see opportunities to selectively secure sites for delivery in 2019 and 2020 in strong regional locations alongside high-quality Universities within our target range of 8.0-8.5% yield on cost. Returns on potential new 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, and we have not seen the correction in land prices that were anticipated following the EU referendum.

2016 and 2017 completions

We completed five schemes during 2016 in line with budget and programme. Over 70% of these beds are let to Universities under nominations agreements for the 2016/17 academic year, with an average duration of 10 years.

The 2017 pipeline is progressing well. We are on track to deliver three wholly-owned schemes in Edinburgh, Liverpool and Coventry and, in USAF, two forward funded developments in Oxford and Edinburgh, adding a total of 2,200 beds. We expect all of the schemes to be fully let for the 2017/18 academic year.

Regional development pipeline

During the year, we have continued to grow our 2018 and 2019 regional pipeline and have now secured a total of eight schemes which are expected to deliver approximately 4,800 beds in addition to our ongoing 2017 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 8.5% yield on cost.

Planning is now in place on all of the schemes in the pipeline (with the exception of the Old BRI site in Bristol which is expected to receive consent in the first half of 2017). During the year, we have reorganised the phasing of deliveries in 2018 and 2019, with Aberdeen and Bristol being pushed back to 2019 and Birmingham and Sheffield accelerated to 2018. This will ensure a balanced level of activity across the two years.

PROPERTY REVIEW

CONTINUED

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 %
2017 completions								
St Leonards	Edinburgh	581	64	41	15	13	9	9.5%
Millennium Point	Coventry	391	34	24	12	12	4	8.8%
Tara House	Liverpool	776	65	46	24	13	6	9.3%
2018 completions								
Newgate Street	Newcastle	575	46	37	7	29	8	8.5%
Brunel House	Bristol	232	28	21	1	10	5	8.5%
Chaucer House	Portsmouth	484	41	33	6	26	6	8.0%
St Vincent's	Sheffield	545	46	36	1	35	10	8.2%
International House	Birmingham	586	48	38	1	37	11	8.0%
2019 completions								
Skelthorne	Liverpool	1,085	92	73	14	60	16	8.0%
Old BR1 ¹	Bristol	706	93	74	2	58	20	8.4%
Constitution Street	Aberdeen	600	54	40	0	33	7	8.4%
Total (wholly owned)		6,561	611	462	83	324	102	8.6%

¹ Subject to obtaining planning consent.

Secured forward fund pipeline (USAF)

USAF has secured two assets on a forward fund basis in Oxford 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.

Whilst USAF has fully deployed its equity, USAF is making good progress with a small number of further acquisitions and could expect to deploy more capital, released from portfolio recycling activities into these opportunities

		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								
2017 completions								
Beech House	Oxford	167	23	18	11	8	3	6.3%
Lutton Court	Edinburgh	237	33	29	18	9	4	6.0%
Total USAF		404	56	47	29	17	7	6.1%
Unite share of USAF		n/a	13	11	7	4	2	6.1%

Our development pipeline remains a source of significant future value and earnings growth and the table below summarises its potential impact on future NAV and earnings per share:

	Illustrative returns (by 2019)	
	Future NAVps	Future EPS
Secured regional projects (wholly owned)	42	13
Secured USAF projects	1	-
Total secured pipeline	43	13

Asset disposals

During 2016, £52 million of assets were sold in third-party transactions (Unite share: £46 million). In addition, Unite sold two wholly-owned assets in Portsmouth and Coventry to USAF for a combined total of £88 million, taking total disposals on a see-through basis to £114 million. All of the assets were sold in line with book value.

Asset disposals remain an important part of our strategy going forward to ensure that we align our portfolio with our strategy to work with high and mid-ranked Universities. Disposals also provide the capital to fund further growth in our development pipeline in 2019 and 2020. We remain focused on our capital discipline to balance further growth opportunities with our leverage targets and expect to make around £150-200 million (Unite share) of disposals in 2017. In February 2017, we exchanged contracts to sell a regional portfolio of 4,175 beds for £295 million (Unite share £102 million) in line with book value.

Richard Simpson
Group Property Director
22 February 2017

FINANCIAL REVIEW

Gasford Street, Coventry

GROWING AND SUSTAINABLE EARNINGS

Our strategic objective

Our consistent strategy continues to deliver sustainable and growing earnings underpinned by our highly accretive development pipeline, strong University partnerships and scalable operational platform, PRISM. Recurring profits increased by 24% and our dividend is up by 20%. We achieved rental growth of 3.8% increasing earnings and NAV.

Our high quality portfolio with a wide range of price points and room sizes, sector-leading brand and services continue to attract students and to deliver a superior experience for students and universities, driving sustainable income.

PRISM is fully implemented and delivering improvements to customer service and demonstrating efficiencies of scale.

Our net operating income margin is up to 73% and our improved overhead efficiency of 40bps is on track to meet target of 25-30 basis points by the end of 2017.

We continue to operate a strong capital structure maintaining LTV at 35%. Our cost of debt has reduced to 4.2% and a net debt to EBITDA ratio of 6.5 remains within our targeted range of 6 to 7 times. Our strong debt position means we have limited refinancing requirements before 2020.

In November 2016 at a General Meeting for shareholders, the Company's conversion to Real Estate Investment Trust (REIT) status was approved, effective on 1 January 2017, strengthening the earnings and dividend focus of the business.

Recycling capital through asset disposals remains an important part of our strategy to maintain capital discipline and to fund

Olympic Way, London

further growth in our 2019 development pipeline. In total we delivered £125 million of asset disposals during the year including the disposal of two properties to USAF in September 2016 and the disposal of Curzon Gateway in Birmingham to HS2 under a compulsory purchase order agreement in July 2016, in line with the book value of the asset.

In May 2016, USAF issued £125 million of bonds under its existing debt funding platform established in June 2013. The proceeds were used to repay secured debt and to fund further growth in the Fund.

FOCUS ON DELIVERING SUSTAINABLE GROWTH IN RECURRING PROFITS AND CASHFLOW

Joe Lister

Chief Financial Officer and

Managing Director of People and Communications

Q&A

Joe Lister addresses some topical questions from our shareholders

During the year, the Group elected to be taxed as a REIT with effect from 1 January 2017. The election will not change the core business model of Unite Students, and we remain focused on providing affordable purpose-built student accommodation.

Q What is a REIT?

A REITs provide a way for investors to access the risks and rewards of holding property without having to buy it directly. REITs were introduced by the Government in 2007 with the aim of supporting investment in UK real estate and HMRC has supported groups converting to REITs over the last ten years.

REIT status means that the Unite Group is exempt from paying corporation tax on profits and gains arising from its UK property rental business. However, it will still pay corporation tax on income arising from any non-property related activities such as management fees and interest income. REIT status has no effect on VAT, stamp taxes and employment taxes, and REITs continue to pay these taxes as normal.

Q What is the impact on dividend payments?

A There are strict conditions set by HMRC for groups to remain as REITs, including the requirement to distribute at least 90% of their property profits (as calculated for tax purposes which may differ to the accounting profit) to

shareholders. For UK shareholders, this distribution is treated for tax purposes as property rental income rather than dividends, and overseas shareholders suffer withholding tax at the basic rate of tax. The net effect is that the taxation of property income is moved from the REIT to the shareholder thereby allowing tax efficiency while protecting the UK Exchequer.

The tax-exempt property profits that are distributed to shareholders are known as Property Income Distributions (PIDs). A REIT can also distribute post-tax profits from its other activities, known as a Non-Property Income Distributions (non-PIDs). Any one distribution from a REIT may be solely PIDs, solely non-PIDs or a mixture of the two.

In line with REIT conversion the dividend pay-out ratio will be increased to 75% of 2017 adjusted EPRA earnings.

Q Why is Unite Students becoming a REIT?

A Unite Students holds a large portfolio of student accommodation and has a strong dividend. Its business is therefore already well suited to becoming a REIT which provides a tax efficient environment for property investment groups that meet a dividend requirement. Conversion to a REIT will enable Unite to continue with its core business whilst increasing its investment in its property portfolio and growing the return to shareholders. It can do this without needing to consider the

impacts of tax on disposals of capital assets and while offering an effective tax transparent environment to investors in relation to its property income.

As a REIT, Unite is able to attract a wider pool of investors, most especially those who are exempt from tax in the UK who will no longer indirectly suffer tax at the level of the group. In addition, the concept of a REIT is widely understood and valued by the global investor community.

Q What is the impact in 2016 for Unite Students of REIT conversion?

A The Group has historically been required under International Accounting Standards to recognise a deferred tax liability in respect of increases to the market value of its investment properties. This deferred tax liability is not tax that the Group owes, but instead is an accounting provision for estimated tax that could become payable were the Group to sell its investment properties in the future (on the excess of market value over the amount originally paid). As a REIT, such gains will be exempt from UK corporation tax and hence no provision for deferred tax is required to be recognised. The provision at 1 January 2016 has therefore been released during the year. The Group has still provided for the potential deferred tax liability relating to assets that are not exempt as a REIT (including investments in joint ventures) at the balance sheet date where it is expected that the timing difference will give rise to taxable profits as it unwinds.

FINANCIAL REVIEW

CONTINUED

Income statement and profit measures

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

	2016 £m	2015 £m
Adjusted EPRA earnings	61.3	49.5
EPRA earnings	62.7	61.3
Valuation gains and profit/loss on disposal	136.3	324.6
Changes in valuation of interest rate swaps and debt break costs	(1.0)	0.3
Minority interest and tax included in EPRA earnings	3.4	2.2
Profit before tax	201.4	388.4
Adjusted EPRA earnings per share	27.7p	23.1p
Basic earnings per share	101.3p	164.2p

EPRA earnings of £62.7 million to 31 December 2016 (2015: £61.3 million) is stated after deducting tax charges, share option costs and abortive/pre-contract development spend of £5.5 million. The significant reduction in profit before tax is primarily the result of a lower level of unrealised valuation gains of £136.3 million being recognised in 2016 compared with the £324.6 million recognised in 2015.

Cashflow and net debt

The Operations business generated £61.3 million of net cash in 2016 (2015: £40.8 million) and see-through net debt increased marginally to £776 million (2015: £731 million). The key components of the movement in see-through net debt were the operational cashflow and the disposal programme (generating total inflows of £175 million) offset by total capital expenditure of £158 million and dividends paid of £34 million. In 2017, we expect net debt to increase by a similar level as capital expenditure on investment and development activity will exceed anticipated asset disposals.

Dividend

We are increasing our dividend pay-out level to 75% of EPRA earnings (excluding USAF performance fees) and are recommending a fully covered final dividend payment of 12.0 pence per share (2015: 9.5 pence), making 18.0 pence for the full year (2015: 15.0 pence). Subject to approval at Unite's Annual

General Meeting on 11 May 2017, the dividend will be paid on 19 May 2017 to shareholders on the register at close of business on 21 April 2017.

Tax and REIT conversion

During the year, the Group elected to convert to REIT status with effect from 1 January 2017. This has resulted in the release of the provision for deferred tax on property business assets totalling £41.1 million as disposals of investment property, as a REIT, will be exempt from tax. The remaining deferred tax liability relating to unrealised gains on joint venture investments of £17.2 million, which are not exempt from tax, exceeds the deferred tax asset relating to tax adjusted losses carried forward of £11.8 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 investment management of joint ventures, whilst expected to fall within the limits of the balance of business tests, will incur a tax charge which we expect to be in the region of £2-3 million per annum.

Debt financing

During the period, we have maintained our focus on controlling gearing levels, extending debt maturities and minimising financing costs:

Key debt statistics (see-through basis)

	2016	2015
Net debt	£776m	£731m
LTV	34%	35%
Net debt:EBITDA ratio	6.5	6.9
Average debt maturity	4.9 years	5.6 years
Average cost of debt	4.2%	4.5%
Proportion of investment debt at fixed rate	100%	90%

The Group's see-through LTV improved to 34% at 31 December 2016, from 35% at the end of 2015 as a result of the value growth of the portfolio exceeding the increase in net debt. We will continue to manage our gearing proactively and intend to maintain our LTV around the mid-30% level going forward, assuming current yields. With 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 2016 and we plan to keep this in line with current levels going forward.

Interest rate hedging arrangements and cost of debt

Our see-through cost of debt has reduced to 4.2% (2015: 4.5%) as we have secured additional debt on our recent completions and refinancing in USAF at historically low levels. The Group has 100% of its see-through investment debt subject to a fixed interest rate (2015: 90%) for an average term of 4.9 years.

Convertible bond

The Group's £90 million convertible bond is due to mature in October 2018. Under the terms of the bond, early conversion of the debt into equity could be triggered by us from October 2016 onwards if the share price trades over 1.3 times the conversion price for a period of time. The initial conversion price of £5.10 has reduced to £4.88 following share placings and dividend payments and therefore EPRA NAV has been prepared on the basis that the bond will convert in the future. This has resulted in NAV dilution of 15 pence per share as at 31 December 2016. Conversion would result in around a 4% point reduction in LTV.

Vehicle	Property assets £m	Net debt £m	Other assets £m	Net assets £m	Unit share of NAV £m	Total return	Maturity	Unit share
USAF	2,288	(714)	(51)	1,523	352	11%	Infinite	23%
LSAV	1,009	(354)	(15)	640	320	15%	2022	50%

Funds and joint ventures

The table above summarises the key financials for each vehicle.

USAF and LSAV have continued to perform well in 2016. LSAV's total return is driven by stronger capital growth from development returns.

USAF currently does not have any acquisition capacity following the forward fund acquisitions and acquisitions from Unite made in the year, but will continue to monitor acquisition opportunities funded by capital recycling.

Fees

During the year, the Group recognised net fees of £21.9 million (2015: £35.9 million) from its fund and asset management activities as follows:

	2016 £m	2015 £m
USAF		
Asset management fee	10.0	8.7
Acquisition fee	0.4	1.8
Net performance fee	6.5	20.2
LSAV		
Asset and property management fee	4.0	3.3
Development management fee	1.0	1.9
Total fees	21.9	35.9

- * 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 increased as a result of the growth in the portfolios under management during the year generated by acquisitions and valuation growth.

A total performance fee of £8.1 million was earned and will be paid in units during the first quarter of 2017. The net fee recognised of £6.5 million is after deducting £1.1 million, which represents the Group's share of the performance fee paid by USAF and after advisory costs of £0.5 million. The level of the fee is sensitive to movements in property valuations and is therefore significantly lower than in 2015 due to the high level of yield compression in 2015. After payment of the fee, our stake in USAF will remain at 23%.

Joe Lister
Chief Financial Officer
22 February 2017

RESPONSIBLE BUSINESS REVIEW

UP TO uS

Up to uS

Our ambition is to create homes to support the development of future generations of dynamic and successful graduates, equipped to make positive social and economic contributions. We have a unique opportunity to make a valuable contribution to society by helping our 49,000 students every year to learn, adopt and develop responsible living habits. The management of, and accountability for, our impact on our world is embedded as part of our day-to-day operations.

It has always been important to Unite to act as a responsible business. Our first buildings were renovations of existing vacant properties in Bristol where there was a lack of good quality student accommodation.

In 2016 we started work on a new responsible business strategy, called Up to uS, addressing the key sustainability issues affecting our business and supply chains. Up to uS is a plan designed to equip us for a future in which our relevance to students will depend on our ability to help them protect their world.

Up to uS will deliver sustainable value for our stakeholders and make us the leading sustainable purpose-built accommodation provider. However, we want to go further than being the most sustainable business in our sector. Further even than making ongoing improvements to what we do as we grow and the world evolves. Ultimately our goal is to use our business to drive positive social change.

WE'RE MAKING A POSITIVE CONTRIBUTION TO OUR PEOPLE, OUR UNIVERSITIES, OUR STUDENTS AND THE ENVIRONMENT

Joe Lister

Chief Financial Officer and
Managing Director of People and Communications

Up to us underpins our unique business model to create long-term value through the effective use of resources and relationships. It is driven by the same strategic priorities as our business model: to be the most trusted brand, to have the highest quality portfolio and strongest capital structure.

Up to us covers four main themes:

Great workplace	45
The environment	46
Social impact	48
Trusted partner	48

Great workplace

We want to create an inclusive and positive workplace for all of our people.

Highlights and key commitments

In 2016 we received Investor in People Gold Award and our target now is to achieve Investor in People Platinum by 2020.

We invested £110,000 into a programme for paid interns, supporting current students towards employability and giving our employees opportunities to work directly with students, gaining valuable insights into their worlds.

Our priorities in this area are:

Diversity and inclusion

We believe that inclusivity and diversity across the organisation is critical to our continued success. Our employees are from many different backgrounds and have diverse experiences, perspectives and skills. We aim to have a workforce that is truly representative of all sections of society, where each employee feels respected and able to give their best. Unite Students will promote a culture of equality and fairness for all and ensure no person acting on our behalf shall discriminate in any situation against another individual or group, directly or indirectly.

In 2016 we conducted our first company-wide Diversity Survey and the insights provided by this will help inform the development of policies and working practices.

Career enrichment

We have created a comprehensive range of training courses and development programmes for our employees at all levels. These are focused on technical skills, personal development and management competences. Our leadership framework includes programmes such as Becoming a Supervisor, Becoming a Manager and a leadership development programme.

Wellbeing

The health and wellbeing of our employees is critical to creating sustainable performance. In 2016 we

Gender diversity

introduced a wellbeing portal on our intranet, providing advice and tips to enable employees to look after their personal health, financial and mental wellbeing. Creating a cohesive wellbeing strategy will be a focus for 2017.

RESPONSIBLE BUSINESS REVIEW CONTINUED

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 Policies, Health and Safety Policy, and various HR policies including those covering data protection, disciplinary, performance management, flexible working, grievance, leave, equality and diversity.

The environment

We want to reduce our environmental impact and encourage responsible behaviour in our students, employees and suppliers.

Highlights and commitments

In 2016 we achieved further improvements across various metrics including a four star rating from the Global Real Estate Sustainability Benchmark (GRESB), were placed in the 98th percentile of the FTSE4Good index, and were rated B for our climate change performance by the Carbon Disclosure Project (CDP). These reflect our ongoing efforts to reduce our contribution to climate change, and improve our broader environmental performance. We were shortlisted for the 2016 Energy Awards and the 2017 EDIE Sustainability Awards for our behavioural change and engagement programme.

Our environmental strategy focuses on four main objectives, which together help us reduce our three material environmental impacts: energy and carbon; water; and resource use and waste.

In 2016 we pledged to develop a science-based carbon reduction target, in line with the Paris Climate Agreement to limit warming to less than two degrees, and have been working with the Science

Based Targets Initiative (SBTI) to set an ambitious and credible target.

We have also set a range of targets to help reduce our other environmental impacts too:

- We signed up to the international RE100 scheme, committing to buy 100% renewable energy by 2020
- We are working to a target of doubling our energy productivity by 2032 under the international EP100 programme, meaning we will halve our energy consumption per bed
- We aim to send zero waste to landfill from our sites by 2025
- All new buildings opening from 2018 on will achieve a BREEAM 'Excellent' rating
- By 2020 we will aim to effectively engage 50% of our students every year with sustainability campaigns while living with us.

Sustainable buildings

Building on our Energy Savings Opportunity Scheme (ESOS) surveys and Energy Performance Certificate update in 2015, we are producing individual action plans for each of our buildings to identify the full range of energy and water efficiency opportunities. Over 2017 we will bring this into a coordinated plan aiming to deliver significant energy and water efficiency improvements. As well as complying with the 2018 minimum energy efficiency standards and the 2019 ESOS deadline, this will deliver significant carbon reductions across our existing estate. Ahead of this we have continued our ongoing £21 million LED lighting upgrade, and installed a range of new technologies to understand how best to achieve the energy and water efficiency improvements. During 2016 we deployed wireless networked building controls, installed PV panels and air-source heat pumps, and assessed a range of other potential technologies including demand side response and battery storage. This activity has helped deliver

a 10% reduction in energy per bed from 2014-2015 and a 4.8% reduction from 2015-2016.

Sustainable behaviour

Our Up to us Sustainability Engagement Programme is now in its third year, and seeks to deliver lasting changes in behaviour towards more environmentally responsible living and working habits. We see this as a unique opportunity to help our students adopt enduring sustainable living habits that stay with them after they move on from Unite Students, creating a legacy of positive environmental impact. Aligned with the NUS Green Impact Awards, the programme uses individual, local and national initiatives to maximise engagement. During the 2015/16 academic year we recruited more than 120 student volunteers to help us deliver a range of activities to raise awareness of sustainable living choices. Going into 2016/17 we launched our Pledge for Good campaign which includes commitments to follow sustainable behaviours that could deliver more than 30 tonnes of carbon reduction.

Sustainable Construction

As well as improving the existing estate, we are also committed to making sure our new buildings deliver high standards of energy efficiency and environmental performance, and help our students live more responsibly and sustainably. From 2017 onwards all of our new builds will aim for an 'Excellent' rating under the widely used BREEAM environmental assessment methodology.

Sustainable Energy

As well as improving energy efficiency, we are looking at how best to use renewable energy to further reduce our carbon emissions. Over 2017 we will be looking at a range of short and long term options to identify the best way to use credible renewable energy to reduce our footprint and deliver wider business benefits.

Calculation of market based emissions factor for grid electricity supplied under contract

Primary energy source used for generation	Supplier's residual fuel mix (%)	Carbon Dioxide emissions for each fuel source (kg/kWh)	Residual Fuel Mix x CO ₂ emissions (kg/kWh)
Coal	16	0.91	0.1456
Natural Gas	66	0.39	0.2574
Nuclear	1	0	0
Renewables	16	0	0
Other Fuels	1	0.59	0.0059
Overall emissions factor			0.4089 kgCO ₂ e/kWh

Carbon Contributions

	2014	2015	Change vs prior year	2016	Change vs prior year
Year end bed numbers	43,039	45,447	5.59%	48,637	7.02%
Carbon contributing bed numbers	39,125	43,084	10.12%	45,926	6.60%
Carbon contributing floor area (m ²)	1,097,060	1,207,804	10.09%	1,282,018	6.14%

Energy and water consumption

		2014	2015	Change vs prior year	2016	Change vs prior year
		Consumption	Consumption	Change vs prior year	Consumption	Change vs prior year
Electricity	Absolute (kWh)	111,948,911	110,948,791	-0.89%	112,524,053	1.42%
	Relative to bed numbers (kWh/bed)	2,861,314	2,575,154	-10.00%	2,450,108	-4.86%
	Relative to floor area (kWh/m ²)	102,045	91,860	-9.98%	87,771	-4.45%
Natural gas	Absolute (kWh)	23,328,332	26,977,762	15.64%	29,075,659	7.78%
	Relative to bed numbers (kWh/bed)	596,251	626,162	9.52%	633,096	0.02%
	Relative to floor area (kWh/m ²)	21,264	22,336	5.04%	22,680	1.54%
Water	Absolute (m ³)		1,819,569		2,218,231	21.91%
	Relative to bed numbers (m ³ /bed)		42,233		48,300	14.37%
	Relative to floor area (m ³ /m ²)		1,507		1,730	14.85%

Greenhouse gas emissions

		2014	2015	Change vs prior year	2016	Change vs prior year
		Consumption	Consumption	Change vs prior year	Consumption	Change vs prior year
Total Scope 1 emissions	Absolute (tonnes CO ₂ e)	4,393.76	5,373.05	22.29%	5,750.32	7.02%
	Relative to bed numbers (tonnes CO ₂ e/bed)	0.11	0.12	11.05%	0.13	0.40%
	Relative to floor area (kg CO ₂ e/m ²)	4,0050	4,4486	11.08%	4,4854	0.83%
Total Scope 2 emissions (location based)	Absolute (tonnes CO ₂ e)	56,025.97	52,382.17	-6.50%	47,352.15	-9.60%
	Relative to bed numbers (tonnes CO ₂ e/bed)	1.43	1.22	-8.00%	1.03	-12.77%
	Relative to floor area (kg CO ₂ e/m ²)	51,0692	43,3698	-15.08%	36,9356	-14.84%
Total Scope 2 emissions (market based)	Absolute (tonnes CO ₂ e)		48,488.98		46,997.70	-3.08%
	Relative to bed numbers (tonnes CO ₂ e/bed)		1.13		1.02	-8.38%
	Relative to floor area (kg CO ₂ e/m ²)		40,1464		36,6592	-8.69%
Total Scope 1+2 emissions (location based)	Absolute (tonnes CO ₂ e)	60,419.73	57,755.22	-4.41%	53,102.47	-8.06%
	Relative to bed numbers (tonnes CO ₂ e/bed)	1.54	1.34	-6.14%	1.16	-10.51%
	Relative to floor area (kg CO ₂ e/m ²)	55,0742	47,8184	-13.17%	41,4210	-13.38%
Total Scope 1+2 emissions (market based)	Absolute (tonnes CO ₂ e)		53,862.03		52,748.02	-2.07%
	Relative to bed numbers (tonnes CO ₂ e/bed)		1.25		1.15	-6.79%
	Relative to floor area (kg CO ₂ e/m ²)		44,5950		41,1445	-7.74%
Total Scope 3 emissions (location based)	Absolute (tonnes CO ₂ e)	14,802.20	15,486.29	4.62%	15,486.29	-1.74%
	Relative to bed numbers (tonnes CO ₂ e/bed)	0.38	0.36	-4.99%	0.36	-7.82%
	Relative to floor area (kg CO ₂ e/m ²)	13,4926	12,8219	-4.97%	12,0796	-5.79%

- 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 2016 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 below:

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 CO₂e emissions per bed

Scope 1&2 CO₂e emissions per m²

More details on our environmental strategy and impacts are available on our website and will be updated over 2017 along with more details of our wider approach to Up to Us.

The table on page 47 summarises our carbon footprint compared to the previous two years. Although energy efficiency improved, a 6% increase in total bed numbers resulted in an overall 1.4% increase in electricity consumption. Gas consumption also rose by 7.8% due to more widespread use of gas in newer openings compared to older properties that typically use electricity for heating. Despite this, however, our carbon footprint shrank: changes to the DEFRA carbon emissions factors in 2016 meant our combined location-based Scope 1 + Scope 2 carbon footprint shrank by 8% in absolute terms, or 10.5% per bed. The reduction in our absolute and per-bed market-based Scope 1 + Scope 2 footprint was 2% and 6.8% respectively, with the smaller reduction here driven by changes in our supplier's net generation mix.

Social Impact

Delivering positive impacts to help young people succeed in Higher Education and build sustainable lives.

Highlights and commitments

In 2016, we donated £2 million to charities, including the Unite Foundation and our charity of the year Sport Relief. More than 33% of our employees volunteered with local communities.

These are our priorities:

Community

Our students and employees have a crucial role in shaping their communities, and have a more enriching experience by being integrated with local residents and groups. Over the forthcoming years, we are committed to doing even more with our communities through use of our properties, giving support to community groups and collaborating further with Universities and students' unions. We want to use the research we commission in our annual Insight Report to help develop meaningful engagement with young people in the communities we operate in to help prepare them for University life.

Charity

Supporting charitable organisations is at the heart of our values at Unite Students. We believe we have a unique opportunity to help raise awareness of charitable giving to the future generation of charitable givers, while also providing

a great opportunity for engagement between our employees, students and Universities alike. We are committed to supporting charitable organisations that are aligned to our business, whether this is through cash or in kind donations.

Volunteering

Volunteering provides a brilliant basis for engagement with the local communities, giving valuable resource and expertise to organisations to really make a tangible difference, while also developing skills, team building and increasing motivation for those taking part. In just two years, our employee volunteering scheme has achieved more than a 30% participation rate and we are committed to continuing to grow this in future years, with particular focus on skills-matched volunteering. Alongside this, we absolutely recognise the opportunity to develop student volunteering opportunities. While done on a small scale currently through our NUS Green Impact scheme, we are looking to develop this so that it becomes scalable, providing opportunities for students whether they are looking to do this to develop employability skills, or just to give their support to a great cause.

Trusted partner

We aim to develop trusted and open relationships with our investors as well as Universities and other stakeholders who partner with us. This is fundamental to our long term sustainability.

Highlights and commitments

In 2016 we were recognised in the Building Public Trust Awards for our strategic reporting. We were also awarded Business of the Year 2016 by the Bristol Post, in our home city. We are committed to maintaining the highest standards of transparency and integrity in our reporting and our relationships.

Priorities

- Maintaining high ESG ratings, with indices such as FTSE4Good and GRESB. In 2016 we received a FTSE4Good ESG Rating ICB Supersector Relative Percentile Score 98, with 100 being the highest possible. We achieved Greenstar status for the third consecutive year, increasing our 2016 score to 71, from 66 in 2015
- Building longer term commercially sustainable relationships with our University partners and increasing our Higher Education trust score
- Developing a more sustainable supply chain, working with suppliers certified by the CIPS Sustainability Index.

Affordability

Unite Students recognises that going to University now represents a big investment for students, and their accommodation needs represent 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, outdoor space and even a gym. Our proposition further differs from traditional Homes of Multiple Occupancy (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; best-in-class contents insurance; on-site laundry service; 24-hour security; a 24-hour helpline service centre; and discounts with well-known high street retailers.

For scholars from the most challenging backgrounds, the Unite Foundation was established in 2012 to provide assistance to those who might not otherwise be able to attend University. Working with 10 Universities across the UK, the Foundation provides free accommodation and is currently supporting 128 active scholars.

CREATING AN ENGAGING ENVIRONMENT

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.

The Unite Foundation

Unite Students is the founder of and a major donor to the Unite Foundation, a charity that helps undergraduates who lack family support. The Foundation provides its scholars with accommodation throughout their study years and applicants are selected by the Universities to which they apply from the 10 Universities which part of the Foundation programme. Established in 2012, the Foundation has supported 179 people to date and currently has 128 active scholars. The end of the 2015/16 academic year saw 18 Foundation scholars graduate.

Unite Students hosted a Foundation Fundraiser at the Natural History Museum in 2016 to celebrate its 25th anniversary. Guests heard from 2016 Foundation graduate Emily Drew about her experience. Unite Students itself donated a further £5 million to the Foundation in 2016. The donation took the form of an investment in the Unite Student Accommodation Fund (USAF) in order to give the Foundation greater long term security.

Our 2016 Strategic Report from page 1 to page 49 has been reviewed and approved by the Board of Directors on 22 February 2017.

Joe Lister
Chief Financial Officer
22 February 2017

CHAIRMAN'S INTRODUCTION TO GOVERNANCE

A GOOD GOVERNANCE CULTURE SITS AT THE HEART OF GROWING LONG TERM SUSTAINABLE EARNINGS

Phil White
Chairman

I'm pleased to present our Corporate Governance Report on behalf of the Board. 2016 has been a busy year. The Leave vote has led to a dynamic external market while in parallel – as we celebrate Unite's 25th anniversary – we are seeing a maturing PBSA sector.

Succession planning and corporate culture has been a focus in 2016. We had a change in Chief Executive, with Richard Smith taking over from Mark Allan after 17 years with Unite, 10 as CEO, as well as the Group converting to a REIT effective 1 January 2017.

The Board's governance role has focused on the impact of change in the wider

economy, while ensuring we are prepared for change in the Higher Education and PBSA sector. This preparation includes our substantial investment in technology – rolling out our scalable operating platform PRISM – as well as ensuring our development pipeline is well funded.

Our governance framework is designed to help us navigate these external and internal changes. It is imperative the Board is able to provide the necessary oversight and challenge to secure the Group's long term sustainable success, building on all we have learnt in our 25 years, and the following pages provide insight as to how we are doing this.

Governance overview underpinned by the Corporate Governance Code

Governance framework

Our governance framework, underpinned by the Corporate Governance Code, is designed to support our strategy and ensure our long term sustainable success. Similar to our risk management framework (described on pages 22 to 25), 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. For example, we now consider proceeding with certain site acquisitions not conditional on planning, provided certain planning risk thresholds are satisfied. Below and on the next two pages, we describe how governance has supported our strategy during 2016 and how this is linked to our principal risks. We also describe our governance priorities for 2017.

Leadership

On pages 54 and 55, we describe the composition of the Board explaining their skills and experience. On pages 57 to 61 we explain how the Board operates as an effective board, collectively responsible for the long-term sustainable success of Unite, the clear division of responsibilities of the Board and the role of the non-executive directors to constructively challenge and develop our strategy.

Effectiveness

Pages 62 and 63 describe how our governance framework ensures the effectiveness of the Board. Recognising how critical corporate culture is to effectiveness and sustainable success, during 2016 our Board evaluation focused on (among other things) our corporate culture and governance leadership. In addition, in a year when the CEO role transitioned, Richard Smith's induction as the incoming CEO has been critically important to develop his Chief Executive skills and relationships and ensure a smooth transition. The Nomination Committee Report (pages 64 and 65) describes how we manage our succession planning, our broader leadership development, our approach to diversity and inclusivity and how we ensure we have a deep talent pipeline.

Accountability

The internal controls and the Audit Committee Report (pages 66 to 69), together with our risk management framework and principal risks (pages 22 to 29), 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 and how we maintain an appropriate relationship with Deloitte, our external auditors, consistent with the Code and statutory requirements.

Remuneration

The Unite remuneration policy and implementation chart (page 75) and Remuneration at a glance chart (page 76) provide an overview of this complex area, together with the detailed Remuneration Report (pages 73 to 95) describing how we ensure Executive Director remuneration is designed to promote the long-term success of the Company and how we develop our remuneration policy.

Shareholder relations and engagement

Page 56 describes how we engage with shareholders, which during 2016 included a Capital Markets Day in April, which allowed investors to see our Coventry portfolio and development pipeline and the opportunity to interact with our digital operating platform, PRISM, and then a second Capital Markets Day in December in London demonstrating how PRISM improves and streamlines our operations. We also describe in our Remuneration Report (pages 73 to 95) how we have engaged with shareholders during 2016 on our Remuneration Policy and executive remuneration.

CHAIRMAN'S INTRODUCTION TO GOVERNANCE CONTINUED

How governance supported our strategy during 2016

Strategic objective	Board's governance role	Link to Principal Risk	2016 Board activity																					
Great service	PRISM Oversight on PRISM delivery and the related enhanced customer service and operating efficiency benefits.	26 Read more: Market risk – supply and demand	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. 30 Read more: Operations review																					
Affordability and value for money		26 Read more: Market risk – supply and demand	Analysis of the HE accommodation sector and ensuring we continue to offer an affordable and value for money product. 31 Read more: Affordability																					
Health & Safety As we develop our brand through the implementation of Home for Success, the risk of a health & safety mis: damaging our reputation only increases. The Board's governance of the health & safety, wellbeing and security of the 49,000 students who make Unite Students their home is critical to the Group's continued success and trusted reputation.		27 Read more: Operational Risk – Major health & safety (H&S) incident in a property or a development site	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, focus on: ➢ Fire , our biggest safety risk, and the appointment of the Avon Fire Authority as our Primary Authority lead ➢ External safety assurance through the appointment of the British Safety Council as our new external safety auditor ➢ Physical security review of our properties by WSP Parsons Brinckerhoff. 70 Read more: H&S Committee report																					
Home for Success Challenging the substantial investment in Home for Success and how it is translating into real and improved customer experiences and stronger University relationships.		26 Read more: Market risk – supply and demand	Board review of the ongoing implementation of the £40 million Home for Success reinvestment programme. Strategic review of the next phase of Home for Success to ensure the Group continues to deliver improved customer experience in an increasingly competitive marketplace 30 Read more: Operations review																					
Brilliant properties	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	28 Read more: Property/ Development risk	Board ensured delivery during 2016 of five new developments, representing 3,082 beds on programme and budget. 2,000 of these secured with long term nominations. 34 Read more: Property review																					
2016 PCs																								
			<table><tr><th></th><th>Beds</th><th>Yield on cost</th></tr><tr><td>Stapleton House</td><td>862</td><td>8.9%</td></tr><tr><td>Olympic Way, Wembley</td><td>699</td><td>8.8%</td></tr><tr><td>Gosford Gate, Coventry</td><td>286</td><td>9.0%</td></tr><tr><td>Greetham St, Portsmouth</td><td>836</td><td>9.3%</td></tr><tr><td>Causeway View, Aberdeen</td><td>399</td><td>9.8%</td></tr><tr><td>Total</td><td>3,082</td><td>9.1%</td></tr></table>		Beds	Yield on cost	Stapleton House	862	8.9%	Olympic Way, Wembley	699	8.8%	Gosford Gate, Coventry	286	9.0%	Greetham St, Portsmouth	836	9.3%	Causeway View, Aberdeen	399	9.8%	Total	3,082	9.1%
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Key

Strategic objective	Board's governance role	Link to Principal Risk	2016 Board activity																														
Brilliant properties	Property disposals Board oversight on disposals – ensuring value obtained and proceeds recycled efficiently.	28 Read more: Property market cycle risk	Board ensuring further growth through development activity. During 2016, four schemes exchanged and five planning consents. 2,152 beds due for delivery in 2017 and good progress on our development and funds pipeline. 2 Read more: Development pipeline																														
	2017 PCs		<table><tr><td></td><td>Beds</td><td>Yield on cost</td></tr><tr><td>Developments</td><td></td><td></td></tr><tr><td>St Leonard's Edinburgh</td><td>581</td><td>9.5%</td></tr><tr><td>Millennium View, Coventry</td><td>391</td><td>8.8%</td></tr><tr><td>Tara House, Liverpool</td><td>776</td><td>9.3%</td></tr><tr><td></td><td>1,748</td><td>9.3%</td></tr><tr><td>Forward funds (USAF)</td><td></td><td></td></tr><tr><td>Beech House, Oxford</td><td>167</td><td>6.0%</td></tr><tr><td>Luton Court, Edinburgh</td><td>237</td><td>6.1%</td></tr><tr><td>Total</td><td>2,152</td><td></td></tr></table>		Beds	Yield on cost	Developments			St Leonard's Edinburgh	581	9.5%	Millennium View, Coventry	391	8.8%	Tara House, Liverpool	776	9.3%		1,748	9.3%	Forward funds (USAF)			Beech House, Oxford	167	6.0%	Luton Court, Edinburgh	237	6.1%	Total	2,152	
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Growing and sustainable earnings	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.	29 Read more: Financing risk – Unable to arrange new debt or expiring debt facilities cannot be replaced or only at high cost. Adverse interest rate movements	Ongoing Board review of our Capital Operating Guidelines. Continued focus on locking in debt at historically low rates for new debt facilities and forward starting interest swaps for future borrowings for secured development pipeline. At the end of 2016: ➢ Loan-to-value 34% ➢ Average cost of debt 4.2%. 40 Read more: Financial review																														
	Tax strategy/REIT conversion Group Board review of tax strategy for publication in 2017 and our conversion to a REIT.		Board review of the Group's tax position and strategy. Analysis of conversion to REIT and why this is right for the Group. Oversight of ongoing REIT conditions and headroom for operating within the Balance of Business REIT tests. 41 Read more: Q&A on REIT conversion																														

2017 governance priorities

> Great service

Student and University expectations are constantly increasing. Governance to ensure:

- > Continued investment in Home for Success translating into value for money for our customers and market differentiation
- > PRISM, our scalable digital operating platform, delivering improved customer service, efficiency and thus affordability.

> Brilliant properties

PBSA sector maturing. Governance to ensure:

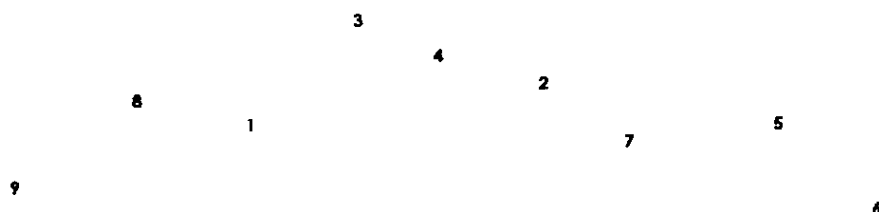
- > Delivery of the development pipeline – to budget and on time – with continued focus in towns and cities with the strongest growth prospects
- > Portfolio recycling with disposal proceeds deployed effectively.
- > **Growing and sustainable earnings**
In the uncertain world following the Leave vote, Governance to ensure:
 - > A strong and flexible capital structure to enable us to adapt appropriately to market conditions as the cycle evolves
 - > Compliance with ongoing REIT status following conversion on 1 January 2017

Compliance with UK Corporate Governance Code

During 2016, our governance framework was built on the UK Corporate Governance Code (the Code). The Code remained the minimum standard against which we measured ourselves during 2016. We complied with all the provisions in the Code during 2016 and expect to be fully compliant during 2017. The Code is published by the Financial Reporting Council (FRC) and is available at www.frc.org.uk.

Phil White
Chairman of the Board
22 February 2017

BOARD OF DIRECTORS



From left to right

Chris Szpojnarowicz, Andrew Jones, Phil White, Joe Lister, Richard Simpson, Richard Smith, Elizabeth McMeikan, Tim Wilson and Manjit Woistenholme.

Board committee key

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

1 Phil White Chairman

Chair of Nomination Committee
Remuneration Committee

N R

Relevant skills and experience

Phil was appointed Chairman in May 2009. The majority of his executive career was spent in the public transport sector, during a period of deregulation and privatisation. He was Chief Executive of National Express Group plc from 1997 to 2006, leading the business through considerable growth both in the UK and overseas. Phil is currently Non-Executive Chairman of Kier Group plc and Lookers plc, and Non-Executive Director of Vp plc.

2 Richard Smith Chief Executive Officer

H

Relevant skills and experience

Richard was appointed Chief Executive in June 2016. Prior to this, Richard was Unite's Managing Director of Operations from 2011. That MD role involved Richard leading the service provided to our customers, and managing the 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.

3 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 the Group's finance function and investment strategy, Joe is now also responsible for People and Communications. Joe is a member of the Council at the University of Essex.

4 Richard Simpson
Group Property Director

Relevant skills and experience

Richard is Group Property Director and sets the strategic direction for all aspects of the 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 of CityWest Homes from January 2017.

5 Professor Sir Tim Wilson
Non-Executive Director
Chair of Health & Safety Committee

H A R N

Relevant skills and experience

Sir Tim 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.

Tim was appointed to the Board in 2010. He holds Honorary Degrees from London South Bank, Plymouth and Hertfordshire universities and is currently, as Chairman of Arden University, a member of the Committee of University Chairs.

6 Manjit Wolstenholme
Senior Independent Director
Chair of Audit Committee

A R N

Relevant skills and experience

Manjit qualified as a chartered accountant with Coopers & Lybrand. Her background includes roles as Director and Co-Head of Investment Banking at Dresdner Kleinwort Wasserstein, and Partner at Gleacher Shacklock. She is Chair of Provident Financial and Senior Independent Director and Chair of the Remuneration Committee of Future plc as well as Chair of Cala Group Holdings and Chair of Audit at CMC Markets plc. Manjit was appointed to the Board at the end of 2011.

7 Elizabeth McMelan
Non-Executive Director
Chair of Remuneration Committee

R A N H

Relevant skills and experience

Liz was appointed 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 Chair 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 Chair of Moat Homes Ltd, a leading housing association working in the South East.

8 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.

9 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 and 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.

SHAREHOLDER RELATIONS

The Board attaches a high priority to effective communication with shareholders and with 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/other providers of capital and senior management were held throughout 2016. 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. That process will continue throughout 2017.

During 2016, the Remuneration Committee conducted a consultation with shareholders representing around two-thirds of the issued share capital, as well as key UK institutional investors, regarding proposed changes in our Remuneration Policy

73 Remuneration

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

The Company maintains a corporate website containing a wide range of information of interest to 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 Meetings 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 Meetings, 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.

155 Notice of the Annual General Meeting

Investor days

We regularly hold investor days to profile the latest developments in our business and showcase our new properties and locations. During 2016, these events included a Capital Markets Day in April, which allowed investors to see our Coventry portfolio and development pipeline and the opportunity to interact with our digital operating platform, PRISM, and a second Capital Markets Day in December in London demonstrating how PRISM improves and streamlines our operations. These events allow us to demonstrate the breadth and depth of our management team who help ensure that Unite Students continues to evolve.

Shareholders by geography

Top 10 shareholders

Results of 2016 Annual General Meeting

Resolution	For		Against	
	% Votes cast		% Votes cast	
1 Receive Annual Reports & Accounts	100.0		0.0	
2 Directors' Remuneration Policy	98.9		1.1	
3 Annual Report on Remuneration	99.7		0.3	
4 Declare a final dividend	100.0		0.0	
5-14 Appointment of Directors	93.8 – 99.9		0.1 – 6.3	
15 Appoint the auditor	100.0		0.00	
16 Auditors' remuneration	100.0		0.00	
17 Approve performance share plan	98.3		1.7	
18 Approve employee share scheme	99.1		0.9	
19 Authority to allot shares	88.4		11.6	
20 Pre-emption rights	98.6		1.4	
21 Allow general meetings on 14 days' notice	84.2		15.8	

LEADERSHIP

Corporate culture and governance leadership

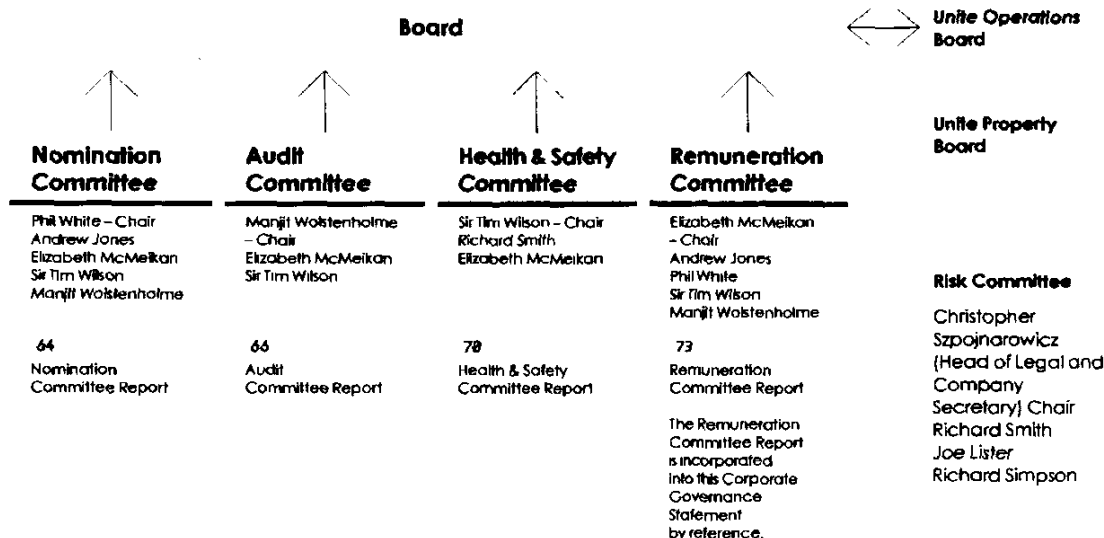
The Board has ultimate responsibility to Unite Students' shareholders for all the Group's activities and also a broader responsibility, extending to environmental and social issues, recognising that the Group is home to 49,000 students during a crucial stage of their personal development and with Universities right across the UK. To discharge this broader responsibility effectively, the Group needs

to operate in an open, harmonious and transparent manner. One way in which this is achieved is by ensuring open communication between the Board and senior leaders. Various members of the senior leadership team regularly present to the Board. During 2016, 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 board room itself.

Further, with Board meetings located in cities across the UK, the Board visits our new developments as well as existing properties meeting with our Operations teams and giving them a grounded insight to the implementation of our strategy.

Board structure



LEADERSHIP CONTINUED

Board operating rhythm – linked to strategy and business oversight

The Board has an annual operating rhythm with a forward agenda of items for the forthcoming year built around our three strategic objectives. The Board's meetings are split between strategy (these consider the Group's longer term strategy having regard to emerging risks or the review and approval of specific investments above certain thresholds) and routine operational, property and financial updates (these provide context for the strategic discussions as well as governance oversight of in-year activity).

Meetings take place throughout the UK, often at Universities in order for the Board

to 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 its flat management structure; three members of the Board are Executive Directors and therefore actively involved in the day to day implementation of the strategy. 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, with direct and open access to leaders throughout the Group and helps inculcate 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 Committee meetings held during the year, and Director attendance, is available in the table on page 61.

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 we are operating in

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 the five-year plan

Risk

Review and discuss our principal risks at a Group level and also a review of our 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

A review of the Board's training needs and also to ensure that the Board is up to date on key legal and regulatory changes. During 2016, training was conducted on how we are using technology and social media in the business as well as governance training on various topics, including the Market Abuse Regulations

Review of Group policies

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

Board activity and annual programme

February	1 Corporate responsibility and Home for Success	 Post completion review – review of 2015 property completions	 Property – approval of land acquisition in Liverpool	 Preliminary results	 Treasury Policy review
March					 Nominations Committee – succession planning
April		 Development pipeline		 Approval of land acquisition in Birmingham and construction contracts in Portsmouth	 Training: Market Abuse Regulations
May	 1 Unite Foundation PRISM workshop	 Internal audit plan	 Assess auditors	 Review internal controls Principal risks review	 H & S Committee
June	 Market review		 Half-year valuation preview	 Acquisition opportunities – approval of land acquisition in Sheffield	 Adopting new Inside Information Policy and Share Dealing Policy
July	 Interim results				
September	 Strategic Plan and talent review	 Board evaluation	 USAF/LSAV/wholly owned portfolio review	 Tax review and REIT conversion	 H & S Committee
November	 Principal risks review	 2017 budget themes	 Sales cycle review	 Capital operating guidelines review	 REIT Circular approved
December	 1 Customer satisfaction	 Approve 2017 budget	 Prospective year end out-turn	 1 Whistleblowing review Anti-bribery review	 Training: Corporate Governance H & S Committee

Strategy
 Financial and risk management
 Operational
 Commercial
 Investor relations
 Governance
 Digital Workshop

1 Great service 2 Brilliant properties 3 Growing and sustainable earnings * No board activity in January, August and October

LEADERSHIP CONTINUED

Composition and appointments

The composition of the Board during 2016 is set out in the table on page 57.

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

Board composition

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 11 May 2017. Brief biographies of all the Directors are set out on pages 54 and 55. 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.

Role	Description
Chairman	<p>Phil White's principal responsibilities are:</p> <ul style="list-style-type: none"> ➤ 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	<p>Richard Smith has responsibility for:</p> <ul style="list-style-type: none"> ➤ 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	<p>As Senior Independent Director, Manjit Walstenholme's principal responsibilities are to:</p> <ul style="list-style-type: none"> ➤ Act as Chair 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, as and when this is necessary.

Board and Committee attendance at meetings in 2016

Current Directors	Status	Date of Appointment to the Board	Board	Audit Committee	Remuneration Committee	Nomination Committee	Health & Safety Committee
Phil White	Chairman	21.01.09	9	N/A	5	2	N/A
Sir Tim Wilson	Independent	01.12.10	9	4	5	2	3
Manjit Wolstenholme	Independent	01.12.11	9	4	5	2	N/A
Andrew Jones	Independent	01.02.13	9	N/A	5	2	N/A
Elizabeth McMeikan	Independent	01.02.14	9	4	5	2	3
Joe Lister	Executive	02.01.08	9	N/A	N/A	N/A	N/A
Richard Simpson	Executive	01.01.12	9	N/A	N/A	N/A	N/A
Richard Smith	Executive	01.01.12	9	N/A	N/A	N/A	3
Resigned during the year							
Mark Allan							
Resigned 31.05.16	Executive	17.11.03	4/4	N/A	N/A	N/A	0
Patrick Dempsey							
Resigned 31.08.16	Independent	01.03.16	4/4	2/2	2/2	1/1	1/1

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 57.

Board tenure

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

The graph below shows the current balance of tenure of the Non-Executive Directors, including the Chairman.

Board tenure

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.

EFFECTIVENESS

Induction

On appointment to the Board, each Director takes part in a comprehensive and personalised induction programme covering:

- 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
- Their legal and regulatory responsibilities as a Director and, specifically, as a Director of a listed company.

As part of the induction program, each Director also visits key locations to see our business operations and properties first hand and the Higher Education institutions we partner with. 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 and its performance, and the Higher Education sector we operate in. In addition, they are given the opportunity to meet with representatives of the Company's key advisors.

This induction is also supplemented with ongoing training throughout the year to ensure the Board are kept up to date with key legal, regulatory and industry updates.

Richard Smith's CEO Induction

Following Richard Smith's appointment as CEO, a specific induction plan was developed. Richard already had considerable experience with the Company, but a plan was devised to reflect his new role as CEO. This included meeting with various stakeholders in this new role as well as building a development plan to help ensure Richard's transition into his new role.

2016 evaluation key themes Corporate culture and governance leadership:

This year, we expanded our Board evaluation to ask searching questions about our corporate culture and governance leadership (see questions set below) using the learnings from the FRC report, Corporate Culture and the Role of Boards. The output was very encouraging, with a consensus that we have a positive and coherent corporate culture with strong governance leadership. We plan to build on this for 2017, using our Home for Success brand architecture and ways of working to develop KPIs to help measure performance.

Collaborative team:

The Board and its Committees operate as a collaborative team, balancing their collective responsibility appropriately. Comments across the Executive Directors and Non-Executive Directors were broadly similar, indicating no real outliers or divergence of views.

Questions in Board Evaluation focusing on corporate culture and governance leadership

Does the Board have clear agreement on its role in shaping, embedding and overseeing the Group's corporate culture?

Does the Board devote sufficient time and resources to evaluating governance leadership?

Does the Board have visibility over KPIs which measure corporate value arising from Unite Students' brand and reputation?

Are the Executive Directors aligned in Unite Students' purpose and values?

Is the broader leadership team aligned with Unite Students' purpose and values?

Do the Non-Executive Directors have appropriate line of sight access to the business?

Does the Company Secretary provide independent and transparent advice and guidance on corporate governance matters?

Does Unite Students enjoy a high level of trust within its investor base, with a positive say/do ratio?

Does Unite Students enjoy a high level of trust within its wider stakeholder base, with a positive say/do ratio?

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 2016, this Board evaluation specifically explored our corporate culture and governance leadership. The key learnings from the FRC's recent report, Corporate Culture and the Role of Boards, were used as the basis for this. In addition, the evaluation considered the behaviours and processes of the Board, its Committees and each member of the Board, including the Chairman.

The Company's policy is to conduct an externally facilitated evaluation every third year. During 2016, the evaluation was conducted internally. The previous external evaluation was 2014 and the next external evaluation is expected to be during 2017.

The 2016 evaluation took the form of a questionnaire asking searching questions of the Board and Committees. This was conducted on an anonymous basis – to encourage frank and direct feedback – and the results then collated by the Company Secretary and shared with the Group Board and each Committee. In addition, the recommended actions from the 2015 evaluation were reviewed to determine progress against them.

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 250 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 reviewed their training needs and considered it important that the Directors have a broader perspective of the digital and technology needs of the business. This led to a Digital and Social Media Workshop for the Board, demonstrating PRISM and its functionality and user experience in May 2016. In addition, the Board considered it important that the Committee Chairs continue to receive relevant functional training (such as on accounting, UK Corporate Governance Code and executive remuneration reporting developments) and accordingly the Committee Chairs attend relevant external seminars. The Board receives on-going training on corporate governance developments, which in 2016 included training on the Market Abuse Regulation in anticipation of this coming into effect during 2016.

NOMINATION COMMITTEE REPORT

Phil White Chairman

Nomination Committee Chair's overview

Earlier in the report, I explained the Board changes during the year, with Richard Smith appointed Chief Executive following Mark Allan's resignation after 17 years with Unite, including 10 as Chief Executive.

With succession planning and talent development a key area of focus for the Committee over the years, it has been especially pleasing that this culminated in the smooth transition of the role of the Chief Executive role with an internal hire. This focus on succession planning and talent development has also enabled the expansion of the roles of our Chief Financial Officer, Joe Lister, and Managing Director of Property, Richard Simpson. Joe Lister's role expanded to include People and Communications and Richard Simpson's to include Health and Safety, Procurement and Asset Management. This has resulted in the number of Executive Directors on the Board reducing from four to three.

This focus on succession planning and talent development has enabled the Executive Directors to step up, with a corresponding stepping up in the senior leadership team. On an ongoing basis, the Committee reviews our talent pipeline for future Board appointments as well as reviewing the skills we need in our senior leadership team. These reviews are measured against our three core strategic objectives. The Committee's focus extends to developing high performing individuals below Board level, ensuring a deep talent pipeline to secure the business's long term sustainability.

Phil White
Chair - Nomination Committee
22 February 2017

Committee overview

Composition

The Committee consists entirely of Non-Executive Directors. The members of the Committee are set out on page 57 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 2016

Succession planning

Reviewing succession planning and ensuring we have a clear talent pipeline for future Board appointments – this considers both Executive Directors as well as the Non-Executive Directors. Specifically for 2016, this succession planning led to the appointment of our former MD of Operations, Richard Smith, as our new CEO, following Mark Allan's resignation.

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.

Review of Board composition

An ongoing review of the Board's composition to ensure it has the correct balance of skills, experience, independence and knowledge. The Committee believes the Board has the correct balance at the moment, but is conscious of the developments in digital, technology and customer experience and reviews this on an ongoing basis.

Group Board Diversity Policy

We recognise that diversity and inclusivity at Board level and throughout the Group is 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 Board room and within Unite Students more generally, we have been reviewing our approach to diversity and inclusion during 2016. 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 and inclusive workplace that will in turn best represent and support our customers in creating a Home for Success.

During Q3 2016, we conducted an anonymous survey of our employees, which has led not only to a greater focus on female representation at senior levels within the business but also broader diversity and inclusion initiatives.

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This is translating into the following actions and focus for 2017, being driven by a senior leadership working group:

- We are widening our recruitment channels to bring in increased diversity
- We are training all recruiting managers and the resourcing team on unconscious bias to ensure that we are recruiting the best person for the job
- We are ensuring that all customer facing teams are diverse and appropriately representative of our local community and our students
- We are actively supporting our high potential female employees
- We are ensuring that all leadership roles have diverse candidates on the short list
- We are actively working with organisation such as Stonewall and Business Disability Forum to raise our awareness
- We are reviewing all HR policies and procedures to be more inclusive with related line manager training

As regards the Board itself, the Nomination Committee considered during 2016 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, but 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.

Internal control

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

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

Further information on the Company's internal control framework is set out in the Audit Committee Report on the following pages. 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 2016 is set out on pages 22 to 25.

Business model

For a description of the Group's business model, see page 5 of the Strategic Report.

AUDIT COMMITTEE REPORT

Manjit Wolstenholme Chairman

Audit Committee Chair's overview

During 2016, 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 the year, 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 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.

Further to the appointment of Deloitte as the Group's auditors during 2015 and subsequent to the completion of their first audit report in February 2016 the Audit Committee undertook a full evaluation of the 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 they be re-appointed in 2017.

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 www.unite-group.co.uk/about-unite/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 57 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 I have recent and relevant financial experience. In addition, in contemplation of a change in the Corporate Governance Code effective for our next Annual Report, the Committee considered whether it as a whole has competence in the student accommodation sector. Having regard to the Audit Committee members' experience in both the Higher Education sector and their experience with Unite, the Committee believes it does have the required competence.

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, PricewaterhouseCoopers (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 meets four times during the year and attendance at those meetings is shown on page 61 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 their work. At its four meetings during the year, the Committee focused on the activities described below.

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 2016, subsequent to the tender and appointment process of Deloitte in May 2015. 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 is aligned to the principal Group risks.

Financial reporting

The primary focus of the Committee, in relation to financial reporting in respect of the year ending 31 December 2016, 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 20-21), risk (as described on pages 26-29), business model and strategy (as described on page 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.

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 2016 financial statements related to:

- Property valuations
- Joint venture accounting.

Property valuations

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

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

During the year, the Committee and/or the Board met with members of the Group's valuers 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 their audit procedures to test the valuation of investment and development properties and the Group's disclosures on the subject. On the basis of their audit work, the auditor reported no inconsistencies or misstatements that were material in the context of the financial statements as a whole.

- 36 Further analysis and detail on asset valuations

AUDIT COMMITTEE REPORT

CONTINUED

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 adopted IFRS 10–12 from the 2014 financial year end 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 there had been no material change in its original assessment in 2014 that both USAF and LSAV should 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 23% 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. 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 22 to 29.

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 they request our external auditor 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 2016 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 solid in the areas tested over the last three years.

During the year, PwC focused their internal audit work on corporate tax, fund management and revenue management. All areas of internal audit were being reviewed for the first time in 2016 and overall PwC concluded that controls were well designed and are operating effectively. Since PwC first reported on internal controls in 2011, it was noted that in each subsequent reporting period there has been an improvement in the overall control environment.

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 2016 financial year the significant risks identified were in relation to the valuation of properties and the classification of joint ventures due to the inherent management judgment required in these areas. 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 2016 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 throughout the year.

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 tendered the external audit 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 auditors.

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 ongoing 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 2016 following completion of the 2015 audit.

During the year, the Company has complied with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) 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.

Throughout 2016, no fees have been paid to the Group's auditor (Deloitte) for non-audit services. During the year, Deloitte charged the Group £0.3 million for audit services. The Committee approved the fees for audit services for 2016 after a review of the level and nature of work to be performed, including the impact of acquisitions, 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'.

Manjit Walstenholme
Chair – Audit Committee
22 February 2017

HEALTH & SAFETY COMMITTEE REPORT

Sir Tim Wilson Chairman

Health and Safety Committee Chair's overview

The Health and Safety Committee ensures effective governance of the health, safety and wellbeing of our employees, customers, contractors and other visitors to our properties. It is paramount the business recognises that health and safety does not stand still, there will always be lessons to learn and scope for continuous improvement. I am committed to ensuring that health and safety is at the heart of everything that the business does and have visited a number of our properties this year, accompanying the city and health and safety teams, understanding and seeing for myself how health and safety is being implemented within the business and a positive culture is being established.

Unite Students is home to 49,000 students and their safety, wellbeing and security is imperative. We work closely with stakeholders including Universities and emergency services to ensure that health and safety is at the heart of our most trusted brand. It is recognised that fire is the biggest hazard to the operating portfolio and the business is proactive in its approach to fire safety, setting up a primary fire authority agreement with the Avon Fire Authority, which ensures appropriate advice and guidance to our strategic fire prevention decisions. A successful fire safety campaign has been delivered to students focusing on cooking safety. This will directly influence

their behaviours and prevent fire related incidents. Security can be a challenge and an external review has been undertaken to ensure that strengths and weaknesses are identified and appropriate measures designed and built in to protect both student and employee alike.

During the year, we appointed the British Safety Council as our new safety auditor. They are conducting an external review of our H&S Management System to ensure the appropriate systems and procedures are developed and being implemented. This provides assurance that the appropriate checks and measures are being carried out.

Sir Tim Wilson
Chair – Health and Safety Committee
22 February 2017

Committee overview

Composition

- Sir Tim Wilson (Chair)
- Elizabeth McMeikan
- Richard Smith

Richard Simpson (Group Property Director), Steve Batley (Estates Director), Julie Jarvey (Head of Health and Safety) and Anthony Arnold (Construction Director) regularly attend meetings of the Committee.

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 2016

There have been positive improvements throughout the year to embed the Keep uS Safe agenda to develop safe and healthy employees and customers.

The most trusted brand is at the forefront of our minds and our core values are at the heart of health and safety:

- **We care** about the health, safety and wellbeing of our employees and customers and it is at the heart of everything we do
- **We lead** by developing robust systems and promoting good practice
- **We unite** with stakeholders to develop positive engagement
- **We deliver** by always seeking continuous improvement and good practice.

The H&S Management System (HSG 65) has been developed and implemented to include robust policies, procedures and hazard controls. The scope of the system is to implement effective policies, hazard controls, health and safety training, equipment management, effective communication, occupational health provision, auditing and review, document control as well as identifying where legal compliance is required. The Group H&S Policy documents the Group's commitment to a safe working environment and ensure the safety of our employees and anyone who may be affected by our business as well as demonstrating compliance with legislative requirements. The policy is a formal mechanism for the adherence of the principles of the H&S Management System (HSG 65) and sets out our aims, details the structure of our organisation and how we will manage and promote our health and safety objectives.

Along with embedding our H&S Management System through HSG 65, the key improvements this year have included:

- The implementation of regional health and safety committees to ensure effective consultation with employees
- A full review and update of the operations risk assessments to ensure adequate hazard control
- Revised contractor management and permit to work system to manage hazardous work activities
- Improved induction training platform which encompasses host videos and augmented reality learning and an associated handbook. The videos focus on driving for work, lone working, safety signage, housekeeping/ maintenance hazards such as chemicals, machinery, asbestos and personal protective equipment. There is an interactive game for accident, incident and near misses. The augmented reality technology is based on hazard spotting and picks up key areas of risk that employees are likely to come across
- Updated property inspections with monthly city and quarterly team checks as well as additional development site inspections
- Quarterly health and safety reviews with all three framework development contractors which include directors and health and safety representatives
- An external audit has also been undertaken of property development sites and encompassed the principal contractor and principal designer
- Unite branding has been introduced on the development sites to drive the message from a client perspective
- External benchmarking of site inspection scores via Considerate Constructor Scheme (CCS), and UKCG
- Elevated Unite health and safety profile by becoming a client partner of the CCS
- Implemented a Yellow Card system at the development sites to halt works immediately if there is significant concern over health and safety.

External audit

The British Safety Council was appointed to undertake a best practice audit of the H&S Management System (HSG 65) and its effectiveness. The audit focused on key areas including: policy and organisational responsibilities, strategy and planning, implementation and operation, performance measurement, evaluation and review, leadership and commitment. It also benchmarked performance indicators, which formed part of the evaluation and included: continual improvement, leadership, stakeholder engagement, risk management and health and wellbeing. The H&S Management System was awarded a three-star rating, with a number of areas of good practice identified as well as areas for continuous improvement to attain best practice and strive for a four-star rating next year.

The lead auditor was impressed with the properties, commenting: "If my child needed student accommodation I would definitely ensure they stayed with Unite."

The British Safety Council has also undertaken an audit for the property development operations of their principal contractors and principal designer, visiting three development sites and reviewing appropriate documentation. As a result of these audits appropriate stakeholders are now being consulted and regular meetings set up to work together on taking recommendations forward.

Security

WSP Parson Brinckerhoff undertook an external security review providing comprehensive recommendations for continuous improvement. A senior level steering group is establishing the strategy with a clear roadmap for security to be built into our projects' design, layout and customer impact. A business security consultant is being appointed to take the lead and provide the necessary advice and guidance to ensure the recommendations are taken forward.

THE ORGANISATIONAL CULTURE WITHIN UNITE STUDENTS AS A BUSINESS WAS FOUND TO BE OUTSTANDING, IT WAS OBVIOUS TO THE SURVEY TEAM THAT ALL STAFF THAT REPRESENT UNITE STUDENTS ARE COMPLETELY COMMITTED TO THE ORGANISATION'S FOUR CORE VALUES, IN THAT THEY CARE, LEAD, UNITE AND DELIVER

Security risk review report WSP Parson Brinckerhoff

Crisis management also forms part of this work and it is imperative to test our emergency preparedness and response plans and procedures. Hence, an emergency test took place at an operating property in London. A review of the exercise has enabled the sharing of good practice and lessons learnt, to drive further improvements and build on the positive engagement with the emergency services.

HEALTH & SAFETY COMMITTEE REPORT

CONTINUED

FIRE SAFETY

Richard Bobruk joined us in August as our Primary Fire Authority Lead Fire Officer (photo above with Alastair Weston, Health and Safety Manager on the left and Richard Bobruk, Avon Fire and Rescue on the right).

This will drive focus on fire security through:

- > Integrating fire strategy decisions into the development journey
- > Fire Safety Management – policies and procedures, risk assessments, training, fire records
- > Maintenance Regimes – testing and planned preventative maintenance
- > Specification for new builds and developments.

We have completed a benchmarking exercise and produced a fire risk review which provides clear direction for designing out risk and suggestions for fire safety strategies.

The external fire risk assessment programme is being implemented with a three-year rolling cycle and internal annual reviews. Clearer risk ratings have been established with prioritisation and accountability.

Mental health and wellbeing

Mental health issues are of grave concern to the Higher Education sector and also to us at Unite, especially since we are their home while at University. Employees receive mental health first aid training

to look for signs and signpost help. The student support services team provides support to employees and students alike and works closely with the University support teams.

Incidents

Operations

Incidents involving our employees, customers or visitors:

- > Five reportable injuries (under RIDDOR) to employees relating to injuring themselves following a fall or knock
- > 314 minor (non-reportable) incidents (employees 166, customer 125, contractor 23).

Development

During 2016, there have been four RIDDOR reportable incidents and 20 minor incidents in our development activity. This performance is within our Unite Students internal benchmarks – beating the industry standard – as follows:

Incidents	KPI*	Benchmark
4 RIDDOR	0.23	0.30
20 minor	1.13	5.00

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

Development incidents for 2016

Project	Hours	RIDDOR incidents	Non-reportable incidents
Stapleton House	317,024	0	0
Olympic Way	365,810	1	1
Greetham St	281,443	0	2
Causeway End	239,090	1	4
Far Gosford	150,849	0	1
Tara House	238,857	2	2
St Leonards	96,544	0	10
Millennium View	79,515	0	0
BRI Bristol	5,780	0	0
TOTALS	1,766,912	4	20

Priorities for 2017

Our vision for the next three years is the journey to interdependence with empowerment in day to day health and safety management at the core of everything we do.

Our aim is to ensure the health, safety and wellbeing of employees, and have a positive influence on customers and contractors.

The focus for continuous improvement includes: prioritising and progressing the fire risk review, crisis management, security review and external audit recommendations and actions. Specific topical projects include bespoke manual handling training and assessment, integrating wellbeing into the management system, near miss reporting campaign and engaging with our stakeholders on health and safety

by initiating a contractor forum to share good practice, lessons learnt and ensure the very best contractors work on our properties.

ANNUAL STATEMENT OF THE CHAIR OF THE REMUNERATION REPORT COMMITTEE

Elizabeth McMelkan Chair

Dear Shareholder,

On behalf of the Board, it is my pleasure to present the Directors' Remuneration Report for 2016.

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 77 to 83, remains consistent with that approved by shareholders 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 earlier in this Annual Report, 2016 has been another strong year for Unite. Financial highlights have included a 20% increase in adjusted EPRA EPS, a total return of 15%, further reductions in see-through LTV, a three pence increase in our annual dividend, and our 3-year TSR continuing to outperform the FTSE 350 Real Estate Index. Operationally, we have continued to increase our number of beds, while also maintaining high occupancy rates, customer satisfaction levels and University trust scores. More broadly Unite has continued to deliver against its strategy, with progress against the three pillars of delivering great service to students and University partners, operating brilliant buildings and maintaining high-quality earnings and a strong capital structure, aiding our transition to REIT status effective 1 January 2017.

The year also saw a change in the executive team, with Richard Smith, formerly Managing Director of Operations, taking on the Chief Executive role further to the departure of Mark Allan. There were changes too for our other Executive Directors, as both Joe Lister and Richard Simpson took on a number of key additional responsibilities as part of an overall streamlining of the executive team.

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

Salaries for Executive Directors

During the shareholder consultation that preceded the 2016 AGM, the Committee set out its intention of increasing the salaries of Executive Directors by between 6% and 9% for 2016, with a further increase for the Managing Directors of up to 9% in early 2017. The first of these planned increases was made with effect from 1 March 2016 for each of Richard Smith, Joe Lister and Richard Simpson. Mark Allan received a 2% increase, consistent with general increases for employees across the Company.

Following Mark's resignation, additional salary increases were made to the remaining Executive Directors with effect from 1 June 2016, details of which are set out below.

Changes in leadership

In light of his promotion to CEO, the Committee reviewed Richard Smith's salary against a range of factors and elected to set it at a level of £430,000 per annum, representing a c.3% reduction to his predecessor, effective 1 June 2016.

Reflecting the key additional responsibilities taken on by the other remaining Executive Directors, Joe Lister and Richard Simpson, the Committee reviewed a number of alternative approaches for their remuneration with the ultimate aim of ensuring that they remain focussed on delivering Unite's strategy during a period of potential instability. Following careful consideration of the alternatives permitted within our remuneration policy, and discussions with some of our major shareholders, the Committee determined to increase each of their base salaries by c.20% to £350,000 and £325,000 per annum respectively with effect from 1 June 2016.

The remainder of each Executive Director's remuneration package has stayed consistent with that outlined in last year's report, namely eligibility for an annual bonus of up to 144% of salary (with personal objectives updated for new roles and/or responsibilities). LTIP awards of 200% of salary (made in June 2016) vesting on Unite's performance over three years and subject to a two-year holding period, pension contributions of 20% of salary and other applicable benefits.

Further details of our considerations in making these changes are set out in the relevant section on pages 85 and 86.

Annual bonus outcomes for the financial year

Executive Directors will each receive bonuses of 62.5% of salary (cf. a maximum of 144% of salary) in respect of 2016 performance. Overall bonus outcomes reflect solid financial performance by the Group and the individual contributions made by each of the Executive Directors over the last year, including significant progress in their new and expanded roles.

Despite strong performance against profit targets, the overall bonus outcome is just below target and is some way below that received in previous years, which the Committee considers appropriate in the context of a more challenging year in terms of broader business circumstances. Financial performance was above target under both the adjusted EPS and net debt to EBITDA ratio elements but this was offset by total return performance being below target and a set of stretching customer satisfaction targets set by the Committee at the start of the year being missed.

Reflecting a transitional period, and despite a number of notable achievements, the Committee assessed each of the Executive Directors' individual performance as 'on target', meriting a 1.0x personal performance multiplier (cf. the maximum 1.2x multiplier).

Further details, including annual bonus targets, outcomes and details of personal achievements are included on page 87.

ANNUAL STATEMENT OF THE CHAIR OF THE REMUNERATION REPORT COMMITTEE CONTINUED

Long-term incentives

Executive Directors were each granted an award under the LTIP in June 2016 based on performance over the three financial years to 31 December 2018. These awards will vest to the extent that challenging EPS, total return and relative 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 2014 vested on performance to 31 December 2016. These awards were similarly based on EPS, Total Return and TSR outperformance of the FTSE350 Real Estate Super Sector Index. The Company exceeded maximum targets for each element, resulting in 100% of the original award vesting. The Committee is satisfied that the implied 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 2017, and the remaining one-third released after a further year-long holding period.

Overall pay for 2016

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 a more challenging financial year, with outcomes below those achieved in each of the last three cycles, whilst the LTIP – which makes up the majority of each Executive Director's single figure for the year – reflects strong financial and operational performance, and significant value creation over the three-year measurement period.

Implementation of policy for 2017

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. We are satisfied also that the proposed implementation is appropriate given the Company's conversion to a REIT, which became effective 1 January 2017.

For 2017, the annual bonus will operate on the same basis as in previous years, save for two minor changes. The non-financial element of the 'corporate' scorecard, currently based entirely on customer satisfaction, will be supplemented with University Reputation, with each measure weighted 12.5% in order to satisfy the 75/25 financial/non-financial split permitted under our Remuneration Policy. The inclusion of University Reputation recognises the equal importance of Unite's relationships with Higher Education partners together with the opinions of our student customers directly, and has been used as one of our operational KPIs for a number of years. The other change relates to the individual performance multiplier where it is proposed that the majority of objectives will be shared across each of the Executive Directors in order to reflect the collaborative ethos of the executive team. As always, the Committee will provide retrospective disclosure on the key achievements next year in order to allow shareholders to make an informed voting decision.

Save for these minor changes, the implementation of policy for 2017 will be consistent with that applied in recent years. Further details, including proposed salary and fee increases, are included on page 90.

Leaver arrangements for Mark Allan

Mark Allan stepped down as Chief Executive effective 31 May 2016 and ceased being a director of the Company from the same date, remaining employed in an advisory capacity with the Company until 31 October 2016. For the period 1 June 2016 to 31 October 2016, Mark continued to receive base pay, pension and other contractual benefits. He was not eligible to participate in the 2016 annual bonus and there was no payment in lieu of notice.

Full details of how the Committee treated Mark Allan's outstanding long-term incentives are set out in the relevant section on page 90.

Areas for future consideration

The Committee will continue to monitor market trends throughout 2017 in order to assess ongoing requirements for the Company's remuneration practices, and will consult with shareholders about making changes should any significant departures from best practice arise. We are mindful of the continuing debate around Executive Director remuneration and of the various updates to shareholder thinking in this area, and while we are proposing no material changes for 2017, this is something that we will continue to take into account as we review the effectiveness of our arrangements each year.

Elizabeth McMeikan
Chair of Remuneration Committee

Overview of Unite remuneration policy and implementation

	Overview of policy	Remuneration in respect of 2016	Implementation of policy in 2017
Base salary	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Salaries increased by between 2% and 9% effective 1 March 2016 Following role changes, salary of new CEO, Richard Smith, set at £430,000 effective 1 June 2016. Salaries of Joe Lister and Richard Simpson increased by c.20% to £350,000 and £325,000 respectively from the same date, reflecting significant increase in responsibilities 	<ul style="list-style-type: none"> Salaries increased by 2% effective 1 March 2017, as follows: <ul style="list-style-type: none"> CEO, Richard Smith = £438,600 CFO, Joe Lister = £357,000 MD Property, Richard Simpson = £331,500
	77 Read more	85 Read more	91 Read more
Pension, benefits	<ul style="list-style-type: none"> Pension contributions of up to 20% of salary or an equivalent cash allowance Benefits typically consist the provision of a company car or a car allowance, and private health care insurance 	<ul style="list-style-type: none"> In line with policy 	<ul style="list-style-type: none"> No change to pension contribution rates or benefits for 2017
	77 Read more	85 Read more	91 Read more
Annual bonus	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Annual bonuses of 62.5% of salary for each Executive Director (43.4% of maximum opportunity) based on: <ul style="list-style-type: none"> a corporate scorecard outcome of 62.5% of salary (out of 120%) Individual performance multipliers of 1.0x (cf. 1.2x maximum) Bonuses to be paid in cash in early 2017 	<ul style="list-style-type: none"> 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 For 2017, the non-financial element will be supplemented with a measure of University Reputation; individual objectives to be more team focussed
	78 Read more	86 Read more	91 Read more
LTIIP	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 2014 LTIIP vested at 100% based on: <ul style="list-style-type: none"> 2016 adjusted EPS of 27.7p vs. a stretch target of 23.5p Total Return over the period 2014-16 of 21.3% p.a. vs. a stretch target of 14.5% p.a.; and Relative TSR outperformance of the FTSE350 Real Estate Index of 10% p.a. vs. a stretch target of 9% p.a. 	<ul style="list-style-type: none"> Awards of 200% of salary to be made to each Executive Director in April 2017 Performance to be measured over the period 1 January 2017 to 31 December 2019 against EPS, total return and relative TSR Two-year holding period will apply to vested shares
	79 Read more	88 Read more	92 Read more

ANNUAL STATEMENT OF THE CHAIR OF THE REMUNERATION REPORT COMMITTEE

CONTINUED

2016 Remuneration at a glance

2016 Single total figure of remuneration for current Executive Directors

	Richard Smith	Joe Lister	Richard Simpson
Salary	359,617	322,702	298,367
Taxable benefits	15,256	15,854	15,236
Pension benefit	60,863	55,979	55,604
Annual Bonus	227,083	203,385	188,802
LTIP	528,559	584,742	528,559
Other	0	0	0
Total	1,191,378	1,182,642	1,086,568

2016 Annual Bonus outcomes

Corporate targets

Measure	Weight	Threshold	Target	Stretch		Actual	Vest (% salary)	Corporate vesting
		50% of salary	70% of salary	100% of salary	120% of salary			
Adjusted EPS	25%	24.7p	25.7p	27.2p	28.2p	27.7p	27.5%	
Total Return per share	25%	79p	87p	100p	108p	83p	15.0%	62.5%
Net debt to EBITDA ratio	25%	6.5x	6.3x	6.0x	5.8x	6.2x	20.0%	
Customer satisfaction	25%	83	84	86	87	80	0%	

Overall

Executive	Corporate vesting	Personal multiplier	Overall bonus outcome		£
			% of salary	% of maximum	
Richard Smith		1.0x	62.5%	43.4%	227,083
Joe Lister	62.5%	1.0x	62.5%	43.4%	203,385
Richard Simpson		1.0x	62.5%	43.4%	188,802

2014-2016 LTIP outcomes

Targets

Measure	Weight	Threshold	Stretch	Actual	% vest	Overall % vest
		25% vest	100% vest			
2016 Adjusted EPS	1/3	18.1p	23.5p	27.7p	100%	
Total Return p.a. (2014-2016)	1/3	8.5%	14.5%	21.3%	100%	100%
Relative TSR outperformance	1/3	Index	+9% p.a.	+10% p.a.	100%	

Overall vesting

Executive	Overall % vest	Interests vesting	Date vesting	Estimated value
Richard Smith		86,566	10 April 2017 (2/3)	£528,559
Joe Lister	100%	95,753	10 April 2018 (1/3)	£584,742
Richard Simpson		86,566		£528,559

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 85 to 88), scheme interests awarded during the financial year (page 90), payments to past directors (page 91), payments for loss of office (page 82) and the statement of Directors' shareholdings and share interests (page 80). The remaining sections of the report are not subject to audit.

Unite's Remuneration Policy was approved by shareholders at the 2016 Annual General Meeting. The report below is as disclosed in the 2015 Directors' Remuneration Report save for a number of minor changes as follows:

- References to financial years have been updated where appropriate
- Pay for performance scenario charts have been updated to reflect 2017 salaries
- Current Non-Executive Director appointment expiry dates have been updated
- Section on consideration of shareholder views updated to reference consultation on pay increases made during the year to reflecting changes in responsibilities

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 plan.
- 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 Annual General Meeting and which came into effect from that date.

Policy Table

Function	Operation	Opportunity	Performance metrics
Base salary To recognise the individual's skills and experience and to provide a competitive base reward.	Base salaries are reviewed from time to time, with reference to salary levels for similar roles at comparable companies, to individual contribution to performance, and to the experience of each executive.	Any base salary increases are applied in line with the outcome of the review as part of which the Committee also considers average increases across the Group. In respect of existing Executive Directors it is anticipated that salary increases will generally be in line with those of salaried employees as a whole. In exceptional circumstances (including, but not limited to, a material increase in job size or complexity) the Committee has discretion to make appropriate adjustments to salary levels to ensure that they remain market competitive. 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 executives are either members of The Unite Group Personal Pension scheme or receive a cash pension allowance. Salary is the only element of remuneration that is pensionable.	Executive Directors receive a pension contribution of 20% of salary or an equivalent cash allowance.	None

DIRECTORS' REMUNERATION POLICY

CONTINUED

Function	Operation	Opportunity	Performance metrics
Benefits To provide non-cash benefits which are competitive in the market in which the executive is employed.	Executives receive benefits that 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 is 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. Options granted at a 20% discount.	Savings are capped at the prevailing HMRC limit at the time employees are invited to participate.	None

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.	<p>Performance measures, targets and weightings are set at the start of the year.</p> <p>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.</p> <p>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 Director is satisfied by an allocation of shares in the Company, which are held in its Employee Share Ownership Trust.</p> <p>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.</p>	<p>For Executive Directors, the maximum annual bonus opportunity is 144% of base salary, comprising:</p> <ul style="list-style-type: none"> ➤ 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 zero to 1.2 <p>For threshold level performance, the bonus will be 50% of base salary.</p>	<p>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.</p> <p>Corporate measures will be weighted appropriately each year according to business priorities. Measures may include, but are not limited to, adjusted EPS, total 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.</p> <p>The individual element is based on the Committee's assessment of an executive's personal performance over the course of the year, as measured by the Performance Development Programme review.</p> <p>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 of management control. The Committee also considers measures outside of the bonus framework (e.g. H&S) to ensure there is no reward for failure.</p> <p>Further details of the measures, weightings and targets applicable are provided on page 79, 86 and 91.</p>

Function	Operation	Opportunity	Performance metrics
LTIP To drive sustained long-term performance that supports the creation of shareholder value.	<p>The LTIP comprises a Performance Share Plan (PSP) and an Approved Employee Share Option Scheme (ESOS).</p> <p>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.</p> <p>Award levels and performance conditions are reviewed before each award cycle to ensure they remain appropriate and no less stretching than the first cycle.</p> <p>Awards under the LTIP are subject to malus and clawback provisions, further details of which are included as a note to the policy table.</p>	<p>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.</p> <p>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).</p> <p>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.</p>	<p>Vesting of LTIP awards is subject to continued employment and performance against three equally-weighted measures, which are currently as follows:</p> <ul style="list-style-type: none"> ➤ Adjusted earnings per share (EPS); ➤ Total return (TR); and ➤ Relative total shareholder return (TSR) <p>The Committee has the discretion to adjust the performance measures to ensure that they continue to be linked to the delivery of Company strategy.</p> <p>Under each measure, threshold performance will result in 25% of maximum vesting for that element, rising on a straight-line to full vesting.</p> <p>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.</p> <p>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.</p> <p>Details of the targets to be used in future LTIP grants are included in the Annual Report on Remuneration.</p>

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 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 that 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 outcome, 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 (c.18 individuals) are eligible to

DIRECTORS' REMUNERATION POLICY CONTINUED

participate in the LTIP with annual awards currently up to 75% of salary. Performance conditions are consistent for all participants, while award sizes vary by level. Specific cash incentives are also in place to motivate, reward and retain staff below Board level.

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

Shareholding guidelines

The Committee continues to recognise the importance of Executive Directors aligning their interests with shareholders through building up a significant

shareholding in the Company.

Shareholding guidelines are in place that require Executive Directors to acquire a holding (excluding shares that remain subject to performance conditions) equivalent to 250% of base salary for the Chief Executive and 200% of base salary for each of the other Executive Directors. Until the relevant shareholding levels are acquired, up to 50% of the annual bonus payable to the relevant Director will be subject to deferral into shares and are transferable to the 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 error in calculating the award vesting outcome.

Non-Executive Director remuneration

Non-Executive Director	Date of service contract
P M White	10 January 2009
R J T Wilson	1 December 2010
M Wolstenholme	1 December 2011
A Jones	18 October 2012
E McMeikan	13 November 2013

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 2017 in the case of Elizabeth McMeikan and Sir Tim Wilson; at the 2018 Annual General Meeting in the case of Phil White and Manjit Wolstenholme, and at the Annual General Meeting in 2019 in the case of Andrew Jones. 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.	<p>Fee levels are reviewed annually, with any adjustments effective 1 January in the year following review.</p> <p>The fees paid to the Chairman are determined by the Committee, whilst the fees of the Non-Executive Directors are determined by the Board.</p> <p>Additional fees are payable for acting as Senior Independent Director and as Chairman of any of the Board's Committees (Audit, Remuneration, Nomination and Health and Safety).</p> <p>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.</p>	<p>Non-Executive Director fee increases are applied in line with the outcome of the annual fee review. Fees for the year commencing 1 January 2017 are set out in the Annual Report on Remuneration.</p> <p>Fee levels will be next reviewed during 2017, with any increase effective 1 January 2018.</p> <p>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.</p>	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 2017. 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'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.

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	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.	
SAYE		
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

DIRECTORS' REMUNERATION POLICY CONTINUED

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 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 79. 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 79. 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	28 March 2002
R C Simpson	28 September 2011
R S Smith	28 September 2011

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 them in connection with the termination of employment, where the Company wishes to enter into a settlement agreement and the individual must seek independent legal advice.

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

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 joined the Board of CityWest Homes at the beginning of 2017. 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 is encouraged by the support received at the 2016

Annual General Meeting for the new Remuneration Policy. During 2016 we consulted with shareholders representing around two-thirds of Unite's issued share capital regarding Executive Director salaries following the role changes arising as a result of Mark Allan's resignation and subsequent reorganisation of responsibilities. The Committee will continue to monitor trends and developments in corporate governance and market practice to ensure the structure of the executive remuneration remains appropriate.

ANNUAL REPORT ON REMUNERATION

The following section provides details of how Unite's Remuneration Policy was implemented during the financial year ending 31 December 2016

Remuneration Committee membership in 2016

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 2016, the Remuneration Committee comprised five independent Non-Executive Directors.

- Elizabeth McMeikan (Committee Chair)
- Phil White
- Sir Tim Wilson
- Manjit Wolstenholme
- Andrew Jones

During the year, Patrick Dempsey, who joined the Board effective 1 March 2016 and resigned effective 31 August 2016, also served on the Remuneration Committee. Certain executives, including Richard Smith (Chief Executive), Mark Allan (former 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 five times during the year and details of members' attendance at meetings are provided in the corporate governance section on page 61.

Key activities of the Remuneration Committee in 2016 included:

- Reviewed and approved the Executive Directors' performance against annual objectives and LTIP targets; determined bonuses payable (including balance between cash and shares), and approved LTIP vesting
- Determined leaver treatment for Mark Allan, including treatment of outstanding incentives
- Reviewed Executive Director remuneration following role changes and reorganisation of responsibilities, and undertook consultation with major shareholders on proposed changes to Executive Director salaries
- Confirmed treatment of Mark Allan's incentives following end of employment and reaffirmation of duties contained in compromise agreement. Followed up with shareholders summarising changes made during the year
- Considered remuneration market trends and corporate governance developments
- Reviewed and approved salary increases for the Executive Directors and senior management for 2017
- Determined the Executive Directors' bonus and LTIP performance targets for 2017 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') were appointed as the Committee's independent adviser following a competitive tender process in 2014, and were 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 2016 Kepler provided independent advice on revisions to Unite's Remuneration Policy, updates on the external remuneration environment; performance testing for long-term incentive plans; and support during the shareholder consultation process. Kepler reports directly to the Chairman of the Remuneration Committee and does not advise the Company on any other issues. Their total fees for the provision of remuneration services to the Committee in 2016 were £64,775 on the basis of time and materials.

Summary of shareholder voting at the 2016 AGM

The following table shows the results of the binding vote on the forward-looking Remuneration Policy and of the advisory votes on the 2015 Annual Report on Remuneration and the amendments to the 2011 Performance Share Plan at the 2016 AGM:

	Remuneration Policy		Annual Report on Remuneration		Amendments to 2011 PSP	
For (including discretionary)	186,101,530	98.9%	187,241,043	99.7%	185,286,990	98.3%
Against	2,088,144	1.1%	591,183	0.3%	3,170,079	1.7%
Total votes cast (excluding withheld votes)	188,189,674		187,832,226		188,457,069	
Votes withheld	300,425		657,873		33,030	
Total votes cast (including withheld votes)	188,490,099		188,490,099		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 by each Director for the year ended 31 December 2016 and the prior year:

	Richard Smith		Joe Lister		Richard Simpson		Mark Allan ¹	
	2016 £	2015 £	2016 £	2015 £	2016 £	2015 £	2016 £	2015 £
Salary	359,617	246,692	322,702	273,483	298,367	246,692	183,003	432,233
Taxable benefits ²	15,256	14,064	15,854	15,266	15,236	13,894	7,694	23,319
Pension benefit ³	60,863	47,336	55,979	49,147	55,604	43,355	32,162	75,964
Annual Bonus ⁴	227,083	314,579	203,385	348,742	188,802	314,579	0	551,180
LTIPs ⁵	528,559	748,451	584,742	828,041	528,559	748,451	0	1,299,189
Other ⁷	0	4,499	0	2,249	0	0	0	0
Total	1,191,378	1,375,620	1,182,642	1,516,928	1,086,568	1,366,970	222,860	2,381,885

¹ Mark Allan stepped down effective 31 May 2016 and ceased being a director of the Company from the same date. He remained employed in an advisory capacity with the Company until 31 October 2016. Amounts above reflect remuneration received as a result of his role as Chief Executive, with details of remuneration received for the period 1 June to 31 October 2016 disclosed under 'Exit payments' section on page 90.

² Taxable benefits for 2016 consist primarily of company car or car allowance and private health care insurance.

The figures above include car benefits of £14,167, £14,583, £14,167 and £7,223 for Messrs. Smith, Lister, Simpson and Allan respectively.

³ Pension figures include contributions to The Unite Group Personal Pension Scheme and cash allowances, where applicable.

⁴ Payment for performance during the year. Having already reached their share ownership guidelines, each Executive Director will receive 100% of their 2016 bonus award in cash. Mark Allan was not eligible for a 2016 annual bonus payment. See following sections for further details.

⁵ 2015 figures: LTIP awards granted in 2013, and which vested based on performance to 31 December 2015, are valued using the market prices at the date of vesting (10 April 2016) of 636p. These amounts have been revised from last year's report to reflect the actual share prices on the dates of vesting.

⁶ 2016 figures: For the 2014 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 2016 of 575.9p. Mark Allan's unvested 2014 awards lapsed on his resignation from the Company. See following sections for further details. LTIP figures also include cash payments in lieu of dividends for vested awards.

⁷ '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 by each Non-Executive Director for the year ended 31 December 2016 and the prior year:

	Base fee		Committee Chair fees		SID fee		Total	
	2016 £	2015 £	2016 £	2015 £	2016 £	2015 £	2016 £	2015 £
P M White	129,650	127,100	-	-	-	-	129,650	127,100
R J T Wilson	45,000	44,100	6,600	6,475	-	-	51,600	50,575
M Wolstenholme	45,000	44,100	9,350	9,150	5,250	5,125	59,600	58,375
A Jones	45,000	44,100	-	-	-	-	45,000	44,100
E McMeikan	45,000	44,100	9,350	9,150	-	-	54,350	53,250
P Dempsey ¹	22,500	-	-	-	-	-	22,500	-

¹ Patrick Dempsey joined the Board on 1 March 2016 and resigned effective 31 August 2016, during which time he served as a member of the Remuneration and Health and Safety Committees.

Remuneration outcomes for the year ended 31 December 2016 (audited)**Base salaries**

As foreshadowed in last year's report, salary increases of between 6% and 9% were made with effect from 1 March 2016 to each of Richard Smith, Joe Lister and Richard Simpson. Mark Allan received a 2% increase, consistent with general increases for employees across the Company, from the same date.

Following his promotion to CEO, the Committee reviewed Richard Smith's salary against a range of internal and external factors and elected to set it at a level of £430,000 per annum effective 1 June 2016. For the other remaining Executive Directors, Joe Lister and Richard Simpson, the Committee reflected on the intention to operate with a smaller management team going forward, and the additional key responsibilities taken on by each individual. Specifically, Joe Lister will now lead investor relations and has line management responsibility for the Corporate Affairs and People directorates, while Richard Simpson has been tasked with heading up Unite's Health and Safety, Maintenance and Lifecycle and Asset Management functions.

Considering these significant role changes, and mindful of the need to retain successful, experienced and well-regarded Executive Directors in a competitive sector, the Committee reviewed a number of alternative approaches for the remuneration of Joe Lister and Richard Simpson to ensure they remain focused on delivering Unile's strategy during a period of potential instability.

- Salary levels were the element of remuneration most significantly below market (particularly taking into account the additional responsibilities), whereas long-term incentive opportunities, at 200% of salary, are market competitive
- An increase in long-term incentive opportunities had already been implemented for 2016 from 150% to 200% of salary; and
- Maintaining the current ratio between fixed/variable pay and short-term/long-term pay is important so as not to incentivise excessive risk-taking.

Executive Director	Role	Base salary to 28 February 2016	Base salary from 1 March 2016 to 31 May 2016	Percentage change	Base salary from 1 June 2016	Percentage change
R S Smith	MD, Operations	£247,700	£270,000	9%		
	Chief Executive				£430,000	59% (3% below predecessor)
J J Lister	Chief Financial Officer	£274,600	£291,000	6%		
	Chief Financial Officer+				£350,000	20%
R C Simpson	MD, Property	£247,700	£270,000	9%		
	Group Property Director				£325,000	20%
M C Allan	Chief Executive	£434,000	£442,680	2%		
Total Board		£1,204,000	£1,273,680	5.8%	£1,105,000	-13.2%

The 2016 annual bonus consists of two elements, corporate and individual. The corporate element of the bonus is calculated on a sliding scale up to a maximum of 120% of base salary, in accordance with which on-target performance by the Group results in a corporate bonus of an amount equivalent to 70% of base salary. To determine the actual bonus payment to an Executive Director, a multiplier (being the individual element of the scheme), ranging between zero and 1.2 is applied against the corporate bonus.

The performance related bonuses awarded in respect of 2016 reflect corporate bonuses of 62.5% of base salary. After applying individual multipliers, actual performance related bonus payments awarded to the Executive Directors were 62.5% of their respective base salaries (43.4% of their maximum bonus opportunities). Further details, including the targets set and performance against each of the metrics, are provided in the tables below:

[illegible]

Individual element outcomes

Executive	Achievements during the year included:	Personal multiplier
R S Smith	<ul style="list-style-type: none"> Successful delivery of Operations and Group KPIs covering both roles as Managing Director, Operations and Group Chief Executive. Completed an effective transition to the Group Chief Executive role, providing clear and valued leadership to the Group in the second half of the year. Effectively delivered a realignment of roles and responsibilities across the other two Executive Directors and wider senior management team ensuring the continued delivery against the wider Group's KPIs and the retention of the Group's key talent. Led the evolution of the Group strategy, focused particularly on the development of our brand and earning focus. 	1.0x
J J Lister	<ul style="list-style-type: none"> Successful delivery of finance related KPIs and our capital operating guidelines. Successful execution of the REIT conversion plan. Execution and evolution of a debt financing, fundraising and hedging strategy allowing the Group to take advantage of low interest rates while retaining appropriate balance sheet strength and flexibility. Embraced new areas of responsibility including the Group's People and Communication agenda following the management change in mid-year. 	1.0x
R C Simpson	<ul style="list-style-type: none"> All Property related KPIs successfully delivered for the year. Delivery of high quality growth through a secured development pipeline in an increasingly competitive market. Oversaw product development and design innovation activities, allowing the Group to maintain attractive returns on new development. Embraced new areas of responsibility including the Group's health and safety and maintenance and procurement agenda following the management change in mid-year. 	1.0x

Individual objectives were updated following the changes in roles and responsibilities, with additional stretching goals set to test executives in their new roles. The ratings above reflect a holistic view by the Committee of the extent to which each individual has performed in their expanded role during the year, guided by these new objectives.

Overall bonus outcomes

Executive	Corporate vesting	Personal multiplier	Overall bonus outcome		£
			(% of salary)	(% of maximum)	
R S Smith		1.0x	62.5%	43.4%	227,083
J J Lister	62.5%	1.0x	62.5%	43.4%	203,385
R C Simpson		1.0x	62.5%	43.4%	188,802

The Committee is satisfied that the overall bonus outcomes are appropriate. The Company's strong financial performance, particularly under the adjusted EPS and net debt to EBITDA ratio elements, is testament to both management and the broader employee population, and while executives fell short of the stretching customer satisfaction targets, the 2016 result still places Unite in the upper quintile of our benchmark.

Each of the Executive Directors has been a significant contributor to the achievement of key business objectives, while continuing to demonstrate both strong personal progression and exceptional teamwork despite a year of significant change. The proposed On-target individual multipliers of 1.0x reflect our satisfaction with the progress that each individual has made in their new roles and we will look for this to be progressed further as we move into 2017.

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

ANNUAL REPORT ON REMUNERATION CONTINUED

2014 LTIP vesting (vested on performance to 31 December 2016)

Awards in 2014 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 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 %
2016 Adjusted EPS	1/3	0% vesting below 18.1 pence 25% vesting for 18.1 pence 100% vesting for 23.5 pence or more; Straight-line vesting between these points	27.7 pence	100%
TR per share p.a. (2014 – 2016)	1/3	0% vesting below 8.5% 25% vesting for 8.5% 100% vesting for 14.5% or more; Straight-line vesting between these points	21.3%	100%
TSR outperformance of the FTSE350 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 +10% p.a. (55.6% return)	100%
Total LTIP vesting (sum product of weighting and vest %)				100%

The performance period for the each of the elements ended on 31 December 2016. 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	Vesting %	Interests vesting	Date vesting	Assumed market price	Estimated value
R S Smith	86,566		86,566	10 April 2017 (2/3)		£498,572
J J Lister	95,753	100%	95,753	10 April 2018 (1/3)	575.9p	£551,484
R C Simpson	86,566		86,566			£498,572

In line with regulations, the value disclosed above and in the single total figure of remuneration table on page 85 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 2016 of 575.9p. The actual value at vesting will be true-up in the 2017 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 85, and amounted to £29,987, £33,258, and £29,987 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 to 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 2015 and 2016. The analysis excludes part-time employees and is based on a consistent set of employees, i.e. the same individuals appear in the 2015 and 2016 populations.

	CEO			All employees	
	2016 £	2015 £	% change 2015-16	% change 2015-16	
Base salary	433,837	432,233	0.0%	2.0%	
Taxable benefits	17,079	23,319	(26.8)%	4.4%	
Annual bonus	227,083	551,180	(58.8)%	(58.6)%	

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 2015 and 31 December 2016, along with the percentage change in both.

	2016 £m	2015 £m	% change 2015-16
Total employee pay expenditure	39.2	43.7	(10.3)%
Distributions to shareholders	35.3	33.2	6.3%

The Directors are proposing a final dividend in respect of the financial year ended 31 December 2016 of 12 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 eight-year period from 1 January 2009 to 31 December 2016. 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.

Historical TSR performance

~~Historical TSR performance~~ is hypothetical £100 holding over the 8 years to 31 December 2016.
Growth in the value of a hypothetical £100 holding over the 8 years to 31 December 2016

	2009	2010	2011	2012	2013	2014	2015	2016
	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
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
STI award rates against maximum opportunity	42.0%	43.4%	75.8%	63.4%	84.0%	89.4%	88.2%	n/a
LTI award rates against maximum opportunity	0.0%	0.0%	82.4%	26.3%	83.1%	95.2%	100.0%	n/a

ANNUAL REPORT ON REMUNERATION CONTINUED

Scheme interests awarded in 2016 (audited)

LTIP

In June 2016, 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 2016 and will end on 31 December 2018. 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		134,882		£865,268
J J Lister	23 June 2016	109,941	641.5p	£705,272
R C Simpson		102,147		£655,273

¹ Combination of HMRC approved options under the ESOS (935) and nil cost options under the PSP calculated using a share price of 641.5p, being the closing mid-market price on the day the awards were calculated.

Vesting of 2016 awards is dependent on three equally-weighted measures over a three-year performance period; total 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
2018 Adjusted EPS	1/3	0% vesting below 30 pence; 25% vesting for 30 pence; 100% vesting for 38 pence or more; Straight line vesting between these points
TR per share p.a. (2016 – 2018)	1/3	0% vesting below 9% p.a.; 25% vesting for 9% p.a.; 100% vesting for 15% p.a. or more; Straight line vesting between these points.
TSR outperformance of the FTSE 350 Real Estate (Super Sector) Index (2015 – 2017)	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, no new SAYE awards were granted to the Executive Directors.

Exit payments made in the year (audited)

The terms of Mark Allan's exit were set out in an agreement at the time he gave notice to the Company. In formalising this agreement, the Committee sought to ensure that the outcomes were fair to shareholders, to the Company and to Mark Allan, taking into account the terms of his departure and his service to Unite over his 17 years of employment with the Group, including almost 10 years as Chief Executive. The agreement also set out some additional undertakings which included remaining with the business in an advisory capacity until 31 October 2016 to support the new Chief Executive, as well as strengthened non-compete and non-pooch arrangements, all of which were considered to be in the interests of the Company and of our shareholders.

For the period 1 June 2016 to 31 October 2016, Mark Allan continued to receive base pay (£201,476), pension (£32,417) and other contractual benefits (£7,884) totalling £241,777. He was not eligible to participate in the 2016 annual bonus and there was no payment in lieu of notice.

For the purposes of outstanding long-term incentives, Mark Allan was not considered a 'good' leaver, with the default policy position dictating that all of his outstanding awards would lapse upon leaving the Company, unless the Committee would determine otherwise. Reflecting a number of considerations set out below, the Committee exercised discretion to allow vesting of LTIP awards that had already been performance tested and were within a few days of vesting at the time he made his announcement. This use of discretion took into account that:

- The relevant awards would have ordinarily vested three days after the official announcement of the change in Chief Executive (i.e. 10 April 2016), but that Mark elected to announce as early as possible in order to permit an orderly handover of his duties
- The applicable performance periods had been completed and vesting was strong under each cycle and
- Other elements of Mark's package were minimised under the terms of the compromise agreement. Namely no annual bonus would be payable in respect of 2016, and the previously announced 6% salary increase would instead be kept in line with general increases across the group at 2%.

As a result, and having honoured his obligation to remain employed with the Company in an advisory capacity through to 31 October 2016, the final third of Mark's 2012 LTIP award (which vested as to 95.22% of maximum based on performance to 31 December 2014) and the first two-thirds of his 2013 LTIP award (which vested in full based on performance to 31 December 2015) were preserved and became capable of exercise, subject to malus and clawback provisions, from 1 November 2016 and 1 April 2017 respectively – in both cases being an increased deferral period from the original vesting date. All other outstanding and unvested awards (i.e. the final third of his 2013 LTIP awards, and each of the 2014 and 2015 LTIP awards) lapsed following Mark's resignation. Details of the preserved awards are included in the table below:

Award cycle	Interests vesting	Original vesting date	Revised vesting date	Market price on vesting	Value
2012 LTIP	104,725	10 April 2016	1 November 2016	549p	£574,940
2013 LTIP	131,209		1 April 2017	575.9p ¹	£755,633

¹ 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 2016 of 575.9 pence.

Payments to past directors (audited)

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

Implementation of Executive Director remuneration policy for 2017

Base salary

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

Executive Director	Base salary from 1 June 2016 to 28 February 2017	Base salary from 1 March 2017 to 28 February 2018	Percentage increase
R S Smith	£430,000	£438,600	2%
J J Lister	£350,000	£357,000	2%
R C Simpson	£325,000	£331,500	2%

Proposed salary increases are consistent with the average increase applied across the Group (c.2%).

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 ¹
Financial (75%)	Adjusted EPS	25.0%
	Total return per share	25.0%
	Net debt to EBITDA ratio	25.0%
Non-financial (25%)	Customer satisfaction	12.5%
	University Reputation	12.5%

The performance related annual bonus for the 2017 financial year will operate on broadly the same basis as in 2016. The Committee has approved an unchanged 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 2017, 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. The Committee intends to supplement customer satisfaction with a measure based on University Reputation, with each weighted 12.5%. The inclusion of University Reputation recognises the equal importance of Unite's relationships with Higher Education partners, together with the opinions of our student customers directly, and has been used as an operational KPI for a number of years. It is also intended that the majority of 2017 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 2017 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.

ANNUAL REPORT ON REMUNERATION

CONTINUED

LTIP

For 2017, the LTIP will continue to operate broadly on the same basis as in the 2016 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, TR and TSR, as follows:

Measure	Weighting	Targets
2019 Adjusted earnings per share (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
Total return (TR) 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

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 2017 Annual Report on Remuneration.

Implementation of Non-Executive Director Remuneration Policy for 2017

Chairman and Non-Executive Director Fees

During the final quarter of 2016, 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 £45,000 p.a. to £45,900 p.a. and that additional fees should be increased by a similar rate, in both cases being broadly in line with increases for the broader employee population.

In respect of the Chairman of the Board, Phil White, the Committee determined that with the new executive leadership structure now in place, and given the significant increase in the size of the Company in recent years, the timing was appropriate to undertake a full market assessment of the Chairman role. Having considered a number of reference points, including data for sector and size comparators and time commitment, the Committee recommended an increase in the fee payable to the Chairman to £185,000 p.a. which will position him around lower quartile against the blended market assessment. The Committee considers this increase appropriate given Phil's significant experience and leadership of the Company over his tenure to date.

A summary of the fee increases, which are effective 1 January 2017, is set out in the table below.

Position	2015 fees	2016 fees	2017 fees
Base fees			
Chairman	£127,100	£129,650	£185,000
Non-Executive Director	£44,100	£45,000	£45,900
Additional fees			
Senior Independent Director	£5,125	£5,250	£5,400
Audit Committee Chair	£9,150	£9,350	£9,550
Remuneration Committee Chair	£9,150	£9,350	£9,550
Nomination Committee Chair	n/a	n/a	n/a
Health and Safety Committee Chair	£6,475	£6,600	£6,750

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

Directors' Interests (audited)

	Ordinary Shares of 25p each at 31 December 2016	Ordinary Shares of 25p each at 31 December 2015
R S Smith	166,346	81,313
J J Lister	410,936	430,981
R C Simpson	159,026	75,625
P M White	10,952	10,952
R J T Wilson	6,275	6,275
M Walstenholme	7,995	7,995
A Jones	15,000	15,000
E McMeikan	5,000	5,000

A table setting out the beneficial interests of the Directors and their families in the share capital of the Company as at 31 December 2016 is set out to the right.

None of the Directors has a beneficial interest in the shares of any other Group company. Since 31 December 2016, 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 2016 the middle market price for ordinary shares in the Company was 606p per share. During the course of the year, the market price of the Company's shares ranged from 543.5p to 663.5p 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 2016:

	Interests			Shareholding requirement % salary/fee	Current shareholding % salary/fee ²	Requirement met? ³
	Owned outright	Subject to deferral/holding period ¹	Unvested and/or subject to perf. conditions			
R S Smith	166,346	99,249	286,627	250%	309%	Yes
J J Lister	410,936	41,827	277,788	200%	750%	Yes
R C Simpson	159,026	70,088	253,892	200%	366%	Yes
P M White	10,952				51%	
R J T Wilson	6,275				85%	
M Walstenholme	7,995				108%	
A Jones	15,000				202%	
E McMeikan	5,000				67%	

¹ Includes shares subject to a holding period under the 2013 LTIP and deferred bonus shares, where applicable.

² Based on share price as at 31 December 2016 of 606p. Shares subject to deferral/holding periods are taken on a 'net of tax' basis for the purposes of the current shareholding calculation.

³ As of the date that he stepped down from the Board, Mark Allan had exceeded the applicable shareholding guideline of 250% of salary.

ANNUAL REPORT ON REMUNERATION

CONTINUED

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

Deferred bonus

Executive	Interests held at 1 January 2016	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 2016	Deferral period
R C Simpson	30,790	–	310.0p	30,790	–	–	07.03.13 – 06.03.16
	32,277	–	442.0p	–	–	32,277	07.03.14 – 06.03.17
	63,067	–	–	30,790	–	32,277	–
R S Smith	33,869	–	310.0p	33,869	–	–	07.03.13 – 06.03.16
	32,277	–	442.0p	–	–	32,277	07.03.14 – 06.03.17
	29,161	–	533.5p	–	–	29,161	24.02.15 – 23.02.18
	95,307	–	–	33,869	–	61,438	–

LTIP awards

Executive	Interests held at 01.01.16	Interests awarded during the year (ordinary shares of 25p each in the Company)	Market price per share when awarded	Interests vested for performance during the year	Interests lapsed during the year	Outstanding at 31 December 2016 (ordinary shares of 25p each in the Company)	Period of qualifying conditions
J J Lister	125,482	–	319.0p	125,482 ¹	–	–	10.04.13 – 10.04.16
	95,753	–	428.6p	–	–	95,753	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
	293,329	109,941	–	125,482	–	277,788	–
R C Simpson	113,432	–	319.0p	113,432 ¹	–	–	10.04.13 – 10.04.16
	86,566	–	428.6p	–	–	86,566	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
	265,177	102,147	–	113,432	–	253,892	–
R S Smith	113,432	–	319.0p	113,432 ¹	–	–	10.04.13 – 10.04.16
	86,566	–	428.6p	–	–	86,566	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
	265,177	134,882	–	113,432	–	286,627	–

¹ One-third of awards vested for performance are subject to an additional one-year holding period, i.e. 41,827, 37,811 and 37,811 shares in respect of Messrs. Lister, Simpson and Smith respectively.

SAYE

Executive	Options held at 1 January 2016	Granted during the year	Exercised during the year	Option price per share	Options held at 31 December 2016	Maturity date
J J Lister	7,299	–	–	205.5p	7,299	01.12.17
R C Simpson	–	1,705	–	527.6p	1,705	01.12.18
R S Smith	5,216	–	–	345.1p	5,216	01.12.17
R S Smith	–	3,411	–	527.6p	3,411	01.12.18

The highest, lowest and closing share prices for 2016 are shown on page 93.

Details of the qualifying performance conditions, in relation to the above referred to awards made in 2014 and in 2016, 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 2015 awards were set out in the 2015 Directors' Remuneration Report.

Awards made in 2013, 2014, 2015 and 2016 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	2016 £	2015 £
J J Lister	312,135	415,856
R C Simpson	337,697	429,956
R S Smith	407,570	470,354
M C Allan	(469,737)	654,775

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

Elizabeth McMelkan
Chair, Remuneration Committee
22 February 2017

DIRECTORS' REPORT

As at 22 February 2017 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
BlackRock Inc	8.01
APG Asset Management NV	6.36
Cohen & Steers Inc	4.38
Aberdeen Asset Management Group	3.95
Old Mutual plc	3.79
Royal London Asset Management	3.60
Invesco Ltd	3.50
Principal Financial Group	3.31
Norges Bank Investment Management	3.09

Share capital

At the date of this report, there are 222,068,787 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, a total of 65,408 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 and a total of 72,468 ordinary shares of 25p each were allotted and issued pursuant to the exercise of options under the Approved Scheme.

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.

Following a change of control of the Company, the convertible bonds issued by Unite Jersey Issuer Limited and announced on 3 October 2014 become redeemable and/or convertible into ordinary shares of the Company (at the option of the holder).

The Directors have no authority to buyback 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 65 and 25 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 aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' conflicts of interest

The Company has procedures in place for managing conflicts of interest. A Director is to notify the Chairman (and the Chairman notifies the Chief Executive) if they become aware that they, or any of their 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 2016.

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 109
Greenhouse gas emissions	Page 47
Financial Instruments and financial risk management	Page 29
Employment of disabled persons/Employee involvement	Page 46

The Corporate Governance Statement on pages 50 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 3 Rivergate, Temple Quay, Bristol BS1 6GD, at 10.00 am on 11 May 2017. Formal notice of the meeting is given on pages 155 to 159.

Resolution 14:

Authority to allot shares

In addition to the ordinary business of the meeting, Resolution 14 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 an aggregate nominal value of £18,505,732 (representing approximately one third of the issued share capital of the Company as at the date of this report). In accordance with guidelines issued by the Investment Association, this resolution also grants the Directors authority to allot further equity securities up to an aggregate nominal value of £18,505,732, again representing approximately one third of the nominal value of the issued share capital of the Company as at the date of this report. This additional authority may only be applied to fully pre-emptive rights issues.

Resolutions 15 and 16:

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 2006 Act unless the shareholders have first waived their pre-emption rights. The purpose of Resolutions 15 and 16 (together the 'disapplication of pre-emption rights resolutions') is to enable shareholders to so waive their pre-emption rights.

Resolution 15 authorises the Directors to allot new shares pursuant to the authority given by Resolution 14 (the allotment resolution) for cash:

- In connection with a rights issue or pre-emptive issue; and/or
- Otherwise up to a nominal value of £2,775,859, equivalent to approximately 5% of the total issued ordinary share capital of the Company as at the date of this report, in each case without the shares first being offered to existing shareholders in proportion to their existing holdings.

Resolution 16 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 after 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 16 is limited to a nominal value of £2,775,859, equivalent to approximately 5% of the nominal value of the ordinary share capital of the Company in issue as at the date of this report.

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 present issued share capital (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 present issued share capital; 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 present issued share capital but subject to an overall aggregate limit equivalent to two-thirds of the present issued share capital.

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 15 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. Even though adherence to the principles would not preclude issuances under the authority sought under Resolution 16, the Directors currently do not intend to use such authority without prior consultation with leading shareholders.

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.

DIRECTORS' REPORT

CONTINUED

If the resolutions are passed, the authorities will expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, 10 August 2018, this being the date 15 months from the passing of the resolutions, whichever is the earlier.

Resolution 17: Amend Article 94 (Directors' fees) of the Articles of Association

Resolution 17 is a proposal to amend Article 94 of the Articles of Association to increase the limit on Directors' service fees (as distinct from salary, remuneration and other payments to the executive directors) from the current £500,000 to £750,000 per annum. This is to allow the Company some headroom in relation to any further appointments of Non-Executive Directors or increases in Directors' fees. There is no current intention to utilise the proposed increased limit and the level of fees paid to the Non-Executive Directors will continue to be monitored by the Board, which intends that all such fees should be in line with market practice.

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 clear days. At the annual general meeting of the Company held in 2015, shareholders authorised the calling of general meetings, other than an annual general meeting, on not less than 14 clear 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 clear days' notice. The flexibility offered by Resolution 18 will be used where, taking into account the circumstances, the Directors consider this 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 clear 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
22 February 2017

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 54 and 55, 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 **J Lister**
Director Director
22 February 2017



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

Opinion on financial statements of The Unite Group plc

Our opinion on the financial statements is unmodified

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 2016 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.

The financial statements comprise the Consolidated and Company balance sheets, the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and Company statement of changes in shareholders' equity, the Consolidated and Company statements of cash flows and the related notes. 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.

Going concern and the directors' assessment of the principal risks that would threaten the solvency or liquidity of the Group

As required by the Listing Rules we have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within the Regulatory disclosures section of the Governance report to the financial statements and the directors' statement on the longer-term viability of the Group contained within the strategic report on page 25.

We have nothing material to add or draw attention to in relation to:

- > 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;
- > the disclosures on pages 26 to 29 that describe those risks and explain how they are being managed or mitigated;
- > 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 ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- > the director's explanation on page 99 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 agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

Last year our report included a risk around the recognition of deferred tax assets, which is not included in our report this year. We have identified a new risk relating to the impact of the Group becoming a REIT on 1 January 2017 as the REIT transition has had a significant impact on the measurement and presentation of deferred tax assets and liabilities.

The description of risks below should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 66.

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.

Risk: Investment and development property valuation (£2,276.6 million)

The Group's principal assets are investment properties and investment properties under development that are either owned on balance sheet or through the investments that the Group holds in LSAV and USAF. The investment properties are carried at fair value based on an appraisal by the Group's independent external valuers who carry out the valuations at six-monthly intervals for the Group in accordance with the Royal Institution of Chartered Surveyors Valuation – Professional Standards (the 'Red Book'), taking into account transactional evidence during the year.

Management conduct a detailed exercise in the assessment of the valuation of the Group's property portfolio. The valuation of these properties is underpinned by a number of judgements and assumptions, such as 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, with respect to the valuation of the USAF properties, could also have a significant impact on a key input to the calculation of the performance fee recognised for the year ended 31 December 2016 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 Section 3.1: Wholly owned property assets

How the scope of our audit responded to the risk

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 and Group's strategic plan;
- > Meeting with the Group's valuers to understand the assumptions being taken and consistency of the judgements with prior year;
- > Working with our valuation specialists within our Deloitte Real Estate team to validate the assumptions used against market data;
- > 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; and
- > Use of data analytic tools to determine whether there were any anomalies in the valuation spreadsheet data sent to the valuers.

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 2016.

Risk: accounting for joint ventures (£692.9 million)

A significant proportion of the Group's assets are held within USAF and LSAV which are jointly owned entities that are accounted for as joint ventures. At 31 December 2016 Unite had a 23% ownership in USAF and 50% ownership in 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 IFRS 10, there is a need to assess control with regards to the ability to direct relevant activities, have exposure to variable returns and the ability to use power to affect returns at each reporting period.

Refer to Section 3.4: Investments in joint ventures

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

CONTINUED

How the scope of our audit responded to the risk

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 10.

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 10; and
- > 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 10.

Given the particular focus on USAF, we have:

- > assessed the role of the USAF Advisory Committee (which represents the interests of all unitholders) on an on-going basis, including obtaining evidence as to how it has carried out its duties and evaluated where decisions were taken that did not involve the Committee as to indications of the ability of the Group to exercise control; and
- > critically evaluated the impact of the percentage ownership on a regular basis.

Key observations

There has been no change to the structure and underlying assumptions on determination of control of USAF and LSAV in the period and the role played by Unite as investor and asset/development manager. We consider the treatment as joint ventures to be appropriate.

Risk: REIT transition

The Group possesses significant potential deferred tax liabilities in relation to future gains on investment properties and unit trusts and also significant potential deferred tax assets in respect of tax losses. The recognition of both liabilities and assets depend on an assessment of forecast taxable profits, forecasts themselves primarily dependent on the conversion to REIT status on 1 January 2017. The recognition of both deferred tax assets and liabilities in this period therefore involves judgements regarding their appropriate treatment on REIT conversion and assessment of the certainty of conversion and ongoing maintenance of REIT status.

Refer to Section 2.5: Tax

How the scope of our audit responded to the risk

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;
- > working closely with our tax audit specialist team, including newly introduced REIT specialists, to ensure that the key judgements relating to REIT transition 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 assessment of the impact of REIT conversion on the deferred tax position of the Group and agree with the resulting credit of £39.8m on the derecognition of deferred tax previously recognised on revaluation of investment properties, accelerated capital allowances and property business tax losses. We consider the presentation of the disclosures of the tax balances and effective tax rate reconciliation to be appropriate.

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.

We determined materiality for the group to be £14.8 million (2015: £9.3 million), which is 1.0% of net assets (2015: 1% of net assets).

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 of £3.0 million (2015: £3.1 million) based on 5% of EPRA earnings (2015: 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.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £153,000 (2015: £186,000), 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, as the books and records for each entity within the Group are maintained at head office. We also tested the consolidation process and carried out analytical 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.

Opinion 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; and
- > 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.

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 arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review part of the Corporate Governance Statement relating to the company's compliance with certain provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

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

CONTINUED

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- > materially inconsistent with the information in the audited financial statements; or
- > apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or
- > otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.



Judith Tacon (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London
United Kingdom
22 February 2017

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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 Consolidated statement of comprehensive income
 Consolidated balance sheet
 Company balance sheet
 Consolidated statement of changes in shareholders' equity
 Company statement of changes in shareholders' equity
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CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

	Note	2016 £m	2015 £m
Rental income	2.4	97.1	93.0
Property sales and other income	2.4	23.6	115.8
Total revenue		120.7	208.8
Cost of sales	2.4	(44.9)	(114.9)
Operating expenses		(25.0)	(28.5)
Results from operating activities		50.8	65.4
Profit/(Loss) on disposal of property		0.4	(0.6)
Net valuation gains on property	3.1	77.2	164.8
Profit before net financing costs		128.4	229.6
Loan interest and similar charges	4.3	(20.9)	(22.6)
Mark to market changes in interest rate swaps	4.3	–	(0.6)
Swap cancellation costs	4.3	(1.0)	–
Finance costs	4.3	(21.9)	(23.2)
Finance income	4.3	0.1	0.2
Net financing costs	4.3	(21.8)	(23.0)
Share of joint venture profit	3.4b	94.8	181.8
Profit before tax		201.4	388.4
Current tax	2.5	(2.3)	(1.6)
Deferred tax	2.5	27.3	(31.1)
Profit for the year		226.4	355.7
Profit for the year attributable to			
Owners of the parent company	2.2c	224.0	351.9
Minority interest		2.4	3.8
		226.4	355.7
Earnings per share			
Basic	2.2c	101.3p	164.2p
Diluted	2.2c	94.7p	150.3p

All results are derived from continuing activities.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	2016 £m	2015 £m
Profit for the year		226.4	355.7
Movements in effective hedges	4.2	(9.2)	(1.9)
– Deferred tax in relation to movements in effective hedges	2.5d	(1.1)	1.0
Gains on hedging instruments transferred to income statement within mark to market changes in interest rate swaps		–	0.3
– Deferred tax in relation to hedging instruments transferred to income statement		–	(0.1)
Share of joint venture movements in effective hedges	3.4b	(1.4)	0.6
– Deferred tax in relation to share of joint venture movements in effective hedges	2.5d	(0.5)	(0.1)
Other comprehensive income for the year		(12.2)	(0.2)
Total comprehensive income for the year		214.2	355.5
Attributable to			
Owners of the parent company		211.8	351.6
Minority interest		2.4	3.9
		214.2	355.5

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

CONSOLIDATED BALANCE SHEET

At 31 December 2016

	Note	2016 £m	2015 £m
Assets			
Investment property	3.1	1,061.6	1,024.4
Investment property under development	3.1	184.6	149.8
Investment in joint ventures	3.4b	692.9	610.6
Other non-current assets	3.3	29.8	24.5
Deferred tax asset	2.5d	-	1.0
Total non-current assets		1,968.9	1,810.3
Inventories	3.2	2.9	3.6
Trade and other receivables	5.2	77.9	83.0
Cash and cash equivalents	5.1	42.7	27.0
Total current assets		123.5	113.6
Total assets		2,092.4	1,923.9
Liabilities			
Borrowings	4.1	(1.3)	(31.3)
Trade and other payables	5.4	(123.7)	(115.5)
Current tax liability		(2.4)	(2.3)
Total current liabilities		(127.4)	(149.1)
Borrowings	4.1	(473.5)	(443.8)
Interest rate swaps	4.2	(11.6)	(2.3)
Deferred tax liability	2.5d	(4.4)	(31.0)
Total non-current liabilities		(489.5)	(477.1)
Total liabilities		(616.9)	(626.2)
Net assets		1,475.5	1,297.7
Equity			
Issued share capital	4.8	55.5	55.5
Share premium	4.8	493.4	493.3
Merger reserve		40.2	40.2
Retained earnings		867.9	679.5
Hedging reserve		(15.0)	(2.8)
Equity portion of convertible instrument	4.1	9.4	9.4
Equity attributable to the owners of the parent company		1,451.6	1,275.1
Minority interest		23.9	22.6
Total equity		1,475.5	1,297.7

These financial statements of The Unite Group plc, registered number 3199160 were approved by the Board of Directors on 22 February 2017 and were signed on its behalf by:

R S Smith
Director

J J Lister
Director



COMPANY BALANCE SHEET

At 31 December 2016

	Note	2016 £m	2015 £m
Assets			
Investments in subsidiaries	3.5	725.4	648.3
Total investments		725.4	648.3
Loan to group undertaking	3.5	179.9	179.9
Total non-current assets		905.3	828.2
Amounts due from group undertakings	5.2	686.4	639.3
Cash and cash equivalents	5.1	-	-
Total current assets		686.4	639.3
Total assets		1,591.7	1,467.5
Current liabilities			
Borrowings	4.1	(0.1)	(1.4)
Amounts due to group undertakings	5.4	(1.3)	(58.2)
Other payables	5.4	(3.0)	(2.7)
Total current liabilities		(4.4)	(62.3)
Borrowings	4.1	(175.3)	(173.0)
Total non-current liabilities		(175.3)	(173.0)
Total liabilities		(179.7)	(235.3)
Net assets		1,412.0	1,232.2
Equity			
Issued share capital		55.5	55.5
Share premium		493.6	493.3
Merger reserve		40.2	40.2
Retained earnings		813.3	633.8
Equity portion of intercompany loan		9.4	9.4
Total equity		1,412.0	1,232.2

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

These financial statements of The Unite Group plc, registered number 3199160 were approved by the Board of Directors on 22 February 2017 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 2015

	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
Movements in effective hedges (net of associated deferred tax)	-	-	-	-	(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
	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 2015	50.4	385.8	40.2	359.2	(2.5)	9.4	842.5	19.8	862.3
Profit for the year	-	-	-	351.9	-	-	351.9	3.8	355.7
Other comprehensive income for the year	-	-	-	-	(0.3)	-	(0.3)	0.1	(0.2)
Total comprehensive income for the year	-	-	-	351.9	(0.3)	-	351.6	3.9	355.5
Shares issued	5.1	107.5	-	-	-	-	112.6	-	112.6
Deferred tax on share based payments	-	-	-	0.8	-	-	0.8	-	0.8
Fair value of share based payments	-	-	-	2.9	-	-	2.9	-	2.9
Own shares acquired	-	-	-	(3.4)	-	-	(3.4)	-	(3.4)
Dividends paid to owners of the parent company	-	-	-	(31.9)	-	-	(31.9)	-	(31.9)
Dividends to minority interest	-	-	-	-	-	-	-	(1.1)	(1.1)
At 31 December 2015	55.5	493.3	40.2	679.5	(2.8)	9.4	1,275.1	22.6	1,297.7

The notes on pages 112 to 153 form part of the financial statements.

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2015

	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
	Issued share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Equity portion of intercompany loan £m	Total £m
At 1 January 2015	50.4	385.8	40.2	375.8	9.4	861.6
Profit for the year & other comprehensive income	–	–	–	289.9	–	289.9
Shares issued	5.1	107.5	–	–	–	112.6
Dividends to shareholders	–	–	–	(31.9)	–	(31.9)
At 31 December 2015	55.5	493.3	40.2	633.8	9.4	1,232.2

The notes on pages 112 to 153 form part of the financial statements.

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2015

	Note	Group		Company	
		2016 £m	2015 £m	2016 £m	2015 £m
Cash flows from operating activities	5.1	70.3	120.8	(2.6)	(2.2)
Cash flows from taxation		(2.2)	(0.3)	-	-
Investing activities					
Proceeds from sale of investment property		126.1	(0.6)	-	-
Payments to/on behalf of subsidiaries		-	-	(157.4)	(194.9)
Payments from subsidiaries		-	-	59.1	54.4
Repayment received of joint venture investment loan		-	-	-	-
Loan to joint ventures		-	(30.5)	-	-
Dividends received		29.2	22.9	139.3	55.7
Interest received		0.1	0.2	-	-
Investment in joint ventures		-	(52.4)	-	-
Acquisition of intangible assets		(8.2)	(7.7)	-	-
Acquisition of property		(131.0)	(96.3)	-	-
Acquisition of plant and equipment		(3.1)	(4.1)	-	-
Cash flows from investing activities		13.1	(148.5)	41.0	(84.8)
Financing activities					
Interest paid in respect of financing activities		(23.7)	(21.8)	(5.5)	(5.5)
Ineffective swap payments		-	(2.3)	-	-
Swap cancellation costs		(1.0)	-	-	-
Proceeds from the issue of share capital		0.3	112.6	0.3	112.6
Payments to acquire own shares		(2.5)	(3.4)	-	-
Proceeds from non-current borrowings		99.0	17.6	2.3	1.8
Repayment of borrowings		(102.3)	(36.1)	-	-
Dividends paid to the owners of the parent company		(34.2)	(31.9)	(34.2)	(31.9)
Dividends paid to minority interest		(1.1)	(1.1)	-	-
Cash flows from financing activities		(65.5)	33.6	(37.1)	77.0
Net (decrease)/increase in cash and cash equivalents		15.7	(14.4)	1.3	(10.0)
Cash and cash equivalents at start of year		27.0	41.4	(1.4)	8.6
Cash and cash equivalents at end of year	5.1	42.7	27.0	(0.1)	(1.4)

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 domiciled in the United Kingdom.

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 49. 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 2019 and the Group has sufficient headroom to meet all its commitments. The Group added £100m to an existing facility during 2016 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 2016. Our debt facilities include loan-to-value, interest cover and minimum net worth covenants, all of which have a high level of headroom. In order to manage future financial commitments, the Group operate 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 value of fixed assets.

Section 1: Basis of preparation continued

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

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases had not yet been adopted by the EU:

- > IFRS 9 'Financial Instruments';
- > IFRS 15 'Revenue from Contracts with Customers';
- > IFRS 16 'Leases';
- > IFRS 2 (amendments) 'Classification and Measurement of Share-based Payment Transaction';
- > IAS 7 (amendments) 'Disclosure Initiative';
- > IAS 12 (amendments) 'Recognition of Deferred Tax Assets for Unrealised Losses';
- > IFRS 10 and IAS 28 (amendments) 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture';

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods, except that IFRS 9 will impact both the measurement and disclosures of financial instruments, IFRS 15 may have an impact on revenue recognition and related disclosures and IFRS 16 will impact the treatment of leases. During 2016 the Group continued to monitor the potential impact of these changes. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of IFRS 9, IFRS 15 and IFRS 16 until a detailed review has been completed.

Accounting estimates and judgements

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

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

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

The areas involving a higher degree of judgement or complexity are set out below and are explained in more detail in the related notes to the financial statements.

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

- > valuation of investment property and investment property under development (note 3.1)

The accounting policy descriptions set out the areas where judgement needs exercising, the most significant of which is as follows:

- > classification of joint venture vehicles (note 3.4)

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

Section 2: Results for the year



This section focuses on the results and performance of the Group and provides a reconciliation between the primary statements and EPRA performance measures. On the following pages you will find disclosures explaining the Group's results for the year, segmental information, taxation, earnings and net 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	2016	2015
Earnings basic	2.2c	£224.0m	£351.9m
Earnings diluted	2.2c	£227.7m	£351.9m
Basic earnings per share (pence)	2.2c	101.3p	164.2p
Diluted earnings per share (pence)	2.2c	94.7p	150.3p
Net assets Basic	2.3c	£1,451.6m	£1,275.1m
Basic NAV per share (pence)	2.3d	653p	574p

EPRA performance measures

	Note	2016	2015
EPRA earnings	2.2a	£62.7m	£61.3m
EPRA earnings per share (pence)	2.2c	28.4p	28.6p
Adjusted EPRA earnings	2.2a	£61.3m	£49.5m
Adjusted EPRA earnings per share (pence)	2.2c	27.7p	23.1p
EPRA NAV	2.3a	£1,557.3m	£1,394.4m
EPRA NAV per share (pence)	2.3d	646p	579p
EPRA NNNAV	2.3c	£1,517.3m	£1,330.2m
EPRA NNNAV per share (pence)	2.3d	630p	552p

2.1 Segmental information

The Board of Directors monitor the business along two activity lines, Operations and Property. The reportable segments for the years ended 31 December 2016 and 31 December 2015 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 30 to 33. 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

2016

	UNITE Total £m	Share of joint ventures		Total £m	Group on EPRA basis Total £m
		USAF £m	USAV £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 consider 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 £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).

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

Section 2: Results for the year continued

2.2 Earnings continued

a) EPRA earnings continued

2015

	UNITE Total £m	Share of joint ventures		Total £m	Group on EPRA basis Total £m
		USAF £m	USAV £m		
Rental income	93.0	31.6	19.7	51.3	144.3
Property operating expenses	(28.2)	(9.3)	(2.3)	(11.6)	(39.8)
Net operating income	64.8	22.3	17.4	39.7	104.5
Management fees	17.5	(2.2)	(3.3)	(5.5)	12.0
Operating expenses	(21.3)	(0.3)	(0.3)	(0.6)	(21.9)
	61.0	19.8	13.8	33.6	94.6
Operating lease rentals*	(14.5)	–	–	–	(14.5)
Net financing costs	(23.6)	(5.6)	(4.4)	(10.0)	(33.6)
Operations segment result	22.9	14.2	9.4	23.6	46.5
Property segment result	(1.8)	–	–	–	(1.8)
Unallocated to segments	16.6	–	–	–	16.6
EPRA earnings	37.7	14.2	9.4	23.6	61.3
Yield related USAF performance fees	(11.8)	–	–	–	(11.8)
Adjusted EPRA earnings	25.9	14.2	9.4	23.6	49.5

* 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 consider these lease costs to be a form of financing.

Included in the above is rental income of £20.3 million and property operating expenses of £6.6 million relating to sale and leaseback properties.

The unallocated to segments balance includes the fair value of share based payments of (£2.9 million), UNITE Foundation of (£1.0 million), fees received from USAF relating to acquisitions £1.8 million, net USAF performance fee of £20.2 million, deferred tax of (£0.1 million) and current tax charges of (£1.4 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	2016 £m	2015 £m
EPRA earnings	2.2a	62.7	61.3
Net valuation gains on investment property	3.1	77.2	164.8
Property disposals and write downs		0.3	6.8
Share of joint venture gains on investment property	3.4b	58.8	152.7
Share of joint venture property disposals and write downs		–	0.3
Mark to market changes in interest rate swaps*	4.3	–	(0.6)
Interest rate swap payments on ineffective hedges*		–	1.2
Swap cancellation costs		(1.0)	–
Share of joint venture swap cancellation costs	3.4b	–	(0.3)
Deferred tax relating to interest rate swap movement		–	(0.2)
Deferred tax relating to properties		27.6	(30.9)
Minority interest share of reconciling items**		(1.6)	(3.2)
Profit attributable to owners of the parent company		224.0	351.9

* Swaps are designated as hedging instruments within hedge relationships concluded to be effective for the year ended 31 December 2016 and so are reported within Other Comprehensive income for the year. In the prior year certain hedging relationships were concluded to be ineffective and hence the fair value movement of the swaps designated as hedging instruments in those relationships were recorded within the income statement rather than Other comprehensive income.

** 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.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

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 2016 is as follows:

	Note	2016 £m	2015 £m
Earnings			
Basic		224.0	351.9
Diluted		227.7	351.9
EPRA	2.2a	62.7	61.3
Adjusted EPRA (excluding yield related USAF performance fee)	2.2a	61.3	49.5
Weighted average number of shares (thousands)			
Basic		221,013	214,304
Dilutive potential ordinary shares (convertible bond and share options)		19,315	19,877
Diluted		240,328	234,181
Earnings per share (pence)			
Basic		101.3p	164.2p
Diluted		94.7p	150.3p
EPRA EPS		28.4p	28.6p
Adjusted EPRA EPS (excluding yield related USAF performance fee)		27.7p	23.1p

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

Excluded from the potential dilutive shares (share options), in 2016, are 16,838 (2015: 191,000) options which do 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 34 to 39.

a) EPRA net assets

	2016			2015		
	Wholly owned £m	Share of JVs £m	Total £m	Wholly owned £m	Share of JVs £m	Total £m
Investment properties	1,061.6	1,023.2	2,084.8	1,024.4	810.8	1,835.2
Investment properties under development	184.6	7.2	191.8	149.8	80.2	230.0
Total property portfolio	1,246.2	1,030.4	2,276.6	1,174.2	891.0	2,065.2
Debt on properties	(474.8)	(366.8)	(841.6)	(475.1)	(304.6)	(779.7)
Cash	42.7	23.1	65.8	27.0	22.0	49.0
Net debt	(432.1)	(343.7)	(775.8)	(448.1)	(282.6)	(730.7)
Other assets/(liabilities)	(14.6)	(14.3)	(28.9)	(4.9)	(18.3)	(23.2)
EPRA net assets (pre convertible)	799.5	672.4	1,471.9	721.2	590.1	1,311.3
Convertible bond*	85.4	–	85.4	83.1	–	83.1
EPRA net assets	884.9	672.4	1,557.3	804.3	590.1	1,394.4
Loan to value	35%	33%	34%	38%	32%	35%

* Under the terms of the Convertible Bond, early conversion of the debt into equity can be triggered if the share price trades over 1.3 times the conversion price for a period of time, see more detail in Note 4.5 b).

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

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:

2016

	UNITE Total £m	Share of joint ventures		Total £m	Group on EPRA basis Total £m
	USAF £m	LSAV £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	3.3	7.3	(10.6)	(3.3)	-
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	(28.7)	7.3	(10.6)	(3.3)	(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

b) Movement in EPRA NAV during the year continued

2015	UNITE Total £m	Share of joint ventures		Total £m	Group on EPRA basis Total £m
		USAF £m	LSAV £m		
Operations					
Operations segment result	22.9	14.2	9.4	23.6	46.5
Property					
Rental growth	21.6	5.8	22.2	28.0	49.6
Yield movement	97.6	37.0	41.1	78.1	175.7
Disposals and acquisition costs	(17.3)	0.1	0.2	0.3	(17.0)
Investment property gains	101.9	42.9	63.5	106.4	208.3
Development property gains	45.7	–	36.1	36.1	81.8
Pre-contract/other development costs	(1.8)	–	–	–	(1.8)
Total property	145.8	42.9	99.6	142.5	288.3
Unallocated					
Shares issued	112.6	–	–	–	112.6
Investment in joint ventures	(57.8)	41.6	16.2	57.8	–
Convertible bond	83.1	–	–	–	83.1
Dividends paid	(31.9)	–	–	–	(31.9)
USAF performance fee	19.8	–	–	–	19.8
USAF property acquisition fee	1.7	–	–	–	1.7
Swap losses and debt exit costs	(1.1)	(0.3)	–	(0.3)	(1.4)
Other	(5.4)	–	–	–	(5.4)
Total unallocated	121.0	41.3	16.2	57.5	178.5
Total EPRA NAV movement in the year	289.7	98.4	125.2	223.6	513.3
Total EPRA NAV brought forward	514.6	206.9	159.6	366.5	881.1
Total EPRA NAV carried forward	804.3	305.3	284.8	590.1	1,394.4

The £5.4 million charge that comprises the other balance within the unallocated segment includes a tax charge of £1.5 million, fair value of share options charge of £2.9 million and £1.0 million for the UNITE Foundation.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

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	2016 £m	2015 £m
Net asset value reported under IFRS		1,451.6	1,275.1
Mark to market interest rate swaps		14.9	4.3
Deferred tax		5.4	31.9
EPRA NAV (pre convertible)	2.3a	1,471.9	1,311.3
Convertible bond		85.4	83.1
EPRA NAV		1,557.3	1,394.4
Mark to market of fixed rate debt		(19.7)	(28.0)
Mark to market interest rate swaps		(14.9)	(4.3)
Deferred tax		(5.4)	(31.9)
EPRA NNNAV		1,517.3	1,330.2

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	2016 £m	2015 £m
Net assets			
Basic	2.3c	1,451.6	1,275.1
EPRA	2.3a	1,557.3	1,394.4
EPRA diluted		1,559.9	1,396.7
EPRA NNNAV (diluted)		1,520.0	1,332.5
Number of shares (thousands)			
Basic		222,268	222,051
Convertible bond shares		18,426	18,124
Outstanding share options		762	1,027
Diluted		241,456	241,202
Net asset value per share (pence)			
Basic		653p	574p
EPRA		647p	581p
EPRA (fully diluted)		646p	579p
EPRA NNNAV (fully diluted)		630p	552p

Section 2: Results for the year continued

2.4. Revenue and costs

The Group earns revenue from the following activities:

		Note	2016 £m	2015 £m
Rental income	Operations segment	2.2a	97.1	93.0
Management fees	Operations segment		16.0	15.2
Development fees	Property segment		1.0	1.9
Property sales	Unallocated		–	77.0
USAF performance fee	Unallocated		7.0	22.4
			121.1	209.5
Impact of minority interest on management fees			(0.4)	(0.7)
Total revenue			120.7	208.8

The cost of sales included in the consolidated income statement includes property operating expenses of £30.3 million (2015: £28.9 million), operating lease rentals of £13.5 million (2015: £14.5 million), costs associated with development fees of £1.1 million (2015: £1.9 million) and the carrying value of property sales of £nil (2015: £69.6 million).

There were no disposals of properties held as trading properties during 2016 and therefore no revenue was recognised. During 2015, Stratford One, a trading asset, was sold to LSAV resulting in £77.0m of revenue.

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.

Property sales

Income relating to the sale of trading properties is recognised once contracts for sale have been unconditionally exchanged.

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.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

Section 2: Results for the year continued

2.5 Tax

The Group has not paid any corporation tax in the recent past due to the availability of capital allowances, indexation and brought forward losses. However, it does pay UK income tax on rental income that arises from investments held by offshore subsidiaries.

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.

During the year, the Group elected to become a REIT with effect from 1 January 2017. As a REIT, rental profits and gains on disposal of investment properties will be 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), and the provision for deferred tax liability on property business assets of £41.1m at 31 December 2015 has been fully released.

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:

	2016 £m	2015 £m
Income tax on UK rental income arising in non-UK companies	2.3	1.6
Current tax charge	2.3	1.6
Reversal of deferred tax provision in respect of REIT property business assets	(39.8)	–
Origination and reversal of temporary differences	13.7	27.2
Effect of change in tax rate	(1.2)	(4.1)
Recognition of previously unrecognised asset	–	8.0
Deferred tax charge/(credit)	(27.3)	31.1
Total tax (credit)/charge in income statement	(25.0)	32.7

During the year, 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. 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 removal of the deferred tax provision in respect of REIT property business assets is comprised of credits of £29.2m in relation to investment properties and £11.3m in relation to accelerated capital allowances, and a debit of £0.7m for tax adjusted losses extinguished on conversion.

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 credit of £25.0 million arises on a profit before tax of £201.3 million, the taxation charge that would arise at the standard rate of UK corporation tax is reconciled to the actual tax charge as follows:

	2016 £m	2015 £m
Profit before tax	201.4	388.4
Income tax using the UK corporation tax rate of 20% (2015: 20.25%)	40.3	78.7
Release of deferred tax balances due to REIT conversion	(39.8)	–
Property revaluations not subject to tax	(20.4)	(28.4)
Effect of indexation on investments	(2.1)	(3.4)
Effect of statutory tax reliefs	(1.5)	(2.9)
Income due to Unite Foundation	(1.0)	–
Effect of tax deduction transferred to equity on share schemes	0.4	1.1
Rate difference on deferred tax	(1.2)	(4.1)
Movement on unprovided deferred tax asset	–	(0.6)
Recognition of previously un-recognised deferred tax asset	–	(7.4)
Prior years adjustments	0.3	(0.3)
Total tax charge in income statement	(25.0)	32.7

The main rate of corporation tax reduced from 21% to 20% with effect from 1 April 2015. Accordingly, the reconciliation above has been calculated at a rate of 20% (2015: 20.25%).

Following the Group's election to become a REIT (effective 1 January 2017), deferred tax on its REIT property business assets is no longer required. Accordingly, the Group has recognised a credit of £39.8m in the Income Statement reversing the provision for deferred tax liabilities and assets recognised at 31 December 2015 relating to the revaluation of investment property, accelerated capital allowances, and property business tax losses.

Deferred tax is an accounting adjustment intended to reflect tax that the Group may have to pay in the future if certain events occur, and is distinct from the Group's current tax charge (the latter being the tax actually payable to HM Revenue & Customs for the year). Accordingly, the release of the deferred tax provision is an accounting only adjustment, and does not result in the Group receiving a tax credit or refund. The current tax charge for the year ended 31 December 2016 is unaffected by the election to become a REIT.

b) Tax – other comprehensive income

Within other comprehensive income a tax charge totalling £1.6 million (2015: £0.8 million credit) has been recognised representing deferred tax. An analysis of this is included in the deferred tax movement on page 126.

c) Tax – statement of changes in equity

Within the statement of changes in equity a tax charge totalling £0.1 million (2015: £0.8 million credit) has been recognised representing deferred tax. An analysis of this is included in the deferred tax movement on page 126.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

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:

2016

	At 31 December 2015 £m	Transfers £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 (assets)/liabilities	30.0	–	(27.3)	1.7	4.4

2015

	At 31 December 2014 £m	Transfers £m	(Credited) in income £m	Charged in equity £m	At 31 December 2015 £m
Investment property	17.3	–	16.7	–	34.0
Property, plant and machinery	(0.6)	–	0.3	–	(0.3)
Investments in joint ventures	10.7	–	11.1	–	21.8
Share options	(1.5)	–	(0.2)	0.1	(1.6)
Interest rate swaps	(0.3)	–	0.2	(1.0)	(1.1)
Interest rate swaps relating to joint ventures	(0.6)	–	–	0.1	(0.5)
Tax value of carried forward losses recognised	(24.4)	–	3.0	(0.9)	(22.3)
Net tax (assets)/liabilities	0.6	–	31.1	(1.7)	30.0

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 26 September 2016. This will reduce the Group's future current tax charge accordingly. The deferred tax liability at 31 December 2016 has been calculated based on the rate at which it is expected to reverse.

Following the Group's election to become a REIT, disposals of investment property will be exempt from tax and as a result no deferred tax liability has been recognised in relation to these assets. The movement of £41.1m in the year is made up of a combination of in year movement and reversal of the remaining provision. The Group's investments in property unit trusts (being primarily its interests in joint ventures) are not exempt from tax as a REIT. Where the interest in joint ventures remains subject 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 2016 the deferred tax liability in relation to these investments was £17.2m.

Company

Deferred tax has not been recognised on temporary differences of £118.9 million (2015: £104.9 million) in respect of revaluation of subsidiaries and investment in joint ventures as it is probable that the temporary difference will not reverse in the foreseeable future.

2.6 Audit fees

Disclosures in respect of fees paid to the auditors can be found in the Audit Committee Report, page 66.

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.

Completed properties, properties under development and 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 6.4% (2015: 6.4%).

The 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.

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 ending 31 December 2016 and 2015.

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 Property Board and the CFO. This includes a review of the fair value movements over the year.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

Section 3: Asset management continued

3.1 Wholly owned property assets continued

The 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. While completed property is held at cost on the balance sheet, the Group manages the assets based on their market value (fair value). These properties are included in EPRA NAV at their fair value, valued on the same basis as for investment property and investment property under development, by external valuers. The fair value of the Group's wholly owned properties at the year ended 31 December 2016 are also shown below.

2016

	Investment property £m	Investment property under development £m	Completed property £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 value at 31 December 2016	1,061.6	184.6	-	1,246.2
Valuation gains not recognised under IFRS but included in EPRA NAV	-	-	-	-
Brought forward	-	-	-	-
Market value at 31 December 2016	1,061.6	184.6	-	1,246.2

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 2015 and the fair value of the Group's wholly owned property portfolio at the year ended 31 December 2015 is as follows:

2015

	Investment property £m	Investment property under development £m	Completed property £m	Total £m
At 1 January 2015	850.5	49.2	70.1	969.8
Cost capitalised	8.6	97.4	–	106.0
Interest capitalised	–	2.7	–	2.7
Transfer from investment property under development	41.2	(41.2)	–	–
Transfer from work in progress	–	1.0	–	1.0
Disposals	–	–	(70.1)	(70.1)
Valuation gains	126.4	41.0	–	167.4
Valuation losses	(2.3)	(0.3)	–	(2.6)
Net valuation gains	124.1	40.7	–	164.8
Carrying value at 31 December 2015	1,024.4	149.8	–	1,174.2
Valuation gains not recognised under IFRS but included in EPRA NAV				
Brought forward	–	–	31.2	31.2
Disposals	–	–	(31.2)	(31.2)
	–	–	–	–
Market value at 31 December 2015	1,024.4	149.8	–	1,174.2

Included within investment properties at 31 December 2016 are £31.5 million (2015: £41.6 million) of assets held under a long leasehold and £8.9 million (2015: £10.5 million) of assets held under short leasehold.

Total interest capitalised in investment and development properties at 31 December 2016 was £34.9 million (2015: £35.4 million) on a cumulative basis. Total internal costs relating to construction and development costs of Group properties amount to £51.1 million at 31 December 2016 (2015: £49.6 million) on a cumulative basis.

Recurring fair value measurement

All investment and development properties are classified as Level 3 in the fair value hierarchy. While completed property and property under development are held at cost in the balance sheet, the Group discloses the fair value of these assets and includes them at fair value in EPRA NAV. Completed property and property under development fair value measurements are categorised as Level 3 in the fair value hierarchy and their fair value is measured using the same techniques as for investment properties and investment properties under development.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

Section 3: Asset management continued

3.1 Wholly owned property assets continued

Class of asset	2016 £m	2015 £m
London – Rental properties	424.9	409.4
Major provincial – Rental properties	440.2	431.1
Other provincial – Rental properties	196.5	183.9
Major provincial – Development properties	158.4	94.2
Other provincial – Development properties	26.2	55.6
Market value	1,246.2	1,174.2

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)

	2016 £m	2015 £m
Opening fair value	1,174.2	1,001.0
Gains and losses recognised in income statement	77.2	164.8
Gains and losses not recognised on properties under development	–	–
Acquisitions	–	–
Capital expenditure	124.1	109.7
Disposals	(129.3)	(101.3)
Closing fair value	1,246.2	1,174.2

Section 3: Asset management continued

3.1 Wholly owned property assets continued

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

2016

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

2015

	Fair value £m	Valuation technique	Unobservable inputs	Range	Weighted average
London – rental properties	409.4	Discounted cash flows	Net rental income (£ per week) Estimated future rent (%) Discount rate (yield) (%)	£190 – £326 2% – 4% 4.6% – 5.2%	£244 3% 4.8%
Major provincial – rental properties	431.1	Discounted cash flows	Net rental income (£ per week) Estimated future rent (%) Discount rate (yield) (%)	£95 – £146 1% – 6% 5.2% – 7.0%	£120 4% 5.8%
Other provincial – rental properties	183.9	Discounted cash flows	Net rental income (£ per week) Estimated future rent (%) Discount rate (yield) (%)	£77 – £135 2% – 6% 5.8% – 9.4%	£117 4% 6.3%
Major provincial – development properties	94.2	Discounted cash flows	Estimated cost to complete (£m) Estimated future rent (%) Discount rate (yield) (%)	£9.4m – 47.6m 3% 5.2% – 5.8%	£31.6m 3% 5.6%
Other provincial – development properties	55.6	Discounted cash flows	Estimated cost to complete (£m) Estimated future rent (%) Discount rate (yield) (%)	£8.9m – £10.5m 3% 5.8% – 5.9%	£10.1m 3% 5.9%
Fair value at 31 December 2015	1,174.2				

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 interrelationships between these rates as they are partially determined by market rate conditions.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

Section 3: Asset management continued

3.2 Inventories

	2016 £m	2015 £m
Interests in land	0.8	0.9
Other stocks	2.1	2.7
Inventories	2.9	3.6

At both 31 December 2016 and 31 December 2015 the Group only has interests in one piece of land.

3.3 Other non-current assets

Accounting policies

Property, plant and equipment

Other than land and buildings: property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see below). Land and buildings are stated at fair value on the same basis as investment properties. Property, plant and equipment mainly comprise leasehold improvements at the Group's head office and London office as well as computer hardware and software at these sites.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment. Freehold land is not depreciated. The estimated useful lives are as follows:

- > Leasehold improvements Shorter life of lease and economic life
- > Other assets 4-20 years

Intangible assets

Intangible assets 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, 2016: £Nil, (2015: £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:

	2016			2015		
	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	18.9	33.1	52.0	14.8	25.4	40.2
Additions	3.1	8.2	11.3	4.1	7.7	11.8
At 31 December	22.0	41.3	63.3	18.9	33.1	52.0
Depreciation, amortisation and impairment losses						
At 1 January	9.4	18.1	27.5	8.2	16.7	24.9
Depreciation/amortisation charge for the year	1.6	2.8	4.4	1.2	1.4	2.6
Impairment*	1.6	–	1.6			
At 31 December	12.6	20.9	33.5	9.4	18.1	27.5
Carrying value at 1 January	9.5	15.0	24.5	6.6	8.7	15.3
Carrying amount at 31 December	9.4	20.4	29.8	9.5	15.0	24.5

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

Intangible assets include £3.9 million (2015: £10.1 million) of assets not being amortised as they are not yet ready for use. Property, plant and equipment assets include £1.1m (2015: £nil) of assets not being depreciated as they are not ready for use. At 31 December 2016 the Group had capital commitments amounting to £1.0 million relating to intangible assets and £1.8m relating to Property, Plant & 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 2016 (2015)	Objective	Partner	Legal entity in which Group has interest
The UNITE UK Student Accommodation Fund (USAF)	24.6%* (23.0%)	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 23.0% (2015: 21.4%) of USAF.

NOTES TO THE FINANCIAL STATEMENTS

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Section 3: Asset management continued

3.4 Investments in joint ventures (Group) continued

a) Net assets and results of the joint ventures

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

2016

	USAF £m		LSAV £m		Total £m	
	Gross	Share	Gross	Share	Gross	Share
Investment property	2,287.9	562.1	1,009	504.5	3,296.9	1,066.6
Cash	41.8	10.3	27.0	13.5	68.8	23.8
Debt	(755.5)	(185.6)	(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	0.8	0.8	0.4	4.3	1.2
Other current liabilities	(55.3)	(11.7)	(14.8)	(7.4)	(70.1)	(19.1)
Net assets	1,523.1	376.1	633.5	316.8	2,156.6	692.9
Profit/(loss) for the year	164.7	46.3	97.0	48.5	261.7	94.8
EPRA net assets	1,567.1	352.1	640.6	320.3	2,207.7	672.4

2015

	USAF £m		LSAV £m		Total £m	
	Gross	Share	Gross	Share	Gross	Share
Investment property	2,074.2	477.4	894.4	447.2	2,968.6	924.6
Cash	36.6	8.4	28.4	14.2	65.0	22.6
Debt	(638.3)	(146.9)	(336.0)	(168.0)	(974.3)	(314.9)
Swap liabilities	–	–	(3.9)	(2.0)	(3.9)	(2.0)
Other current assets	1.9	0.5	1.0	0.5	2.9	1.0
Other current liabilities	(66.2)	(11.6)	(18.2)	(9.1)	(84.4)	(20.7)
Net assets	1,408.2	327.8	565.7	282.8	1,973.9	610.6
Profit/(loss) for the year	234.3	63.7	236.1	118.1	470.4	181.8
EPRA net assets	1,408.2	305.3	569.6	284.8	1,977.8	590.1

Net assets and profit for the year above include the minority interest, whereas EPRA net assets exclude the minority interest.

Section 3: Asset management continued

3.4 Investments in joint ventures (Group) continued

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

The carrying value of the Group's investment in joint ventures has increased by £82.3 million during the year ended 31 December 2016 (2015: £226.8 million), resulting in an overall carrying value of £692.9 million (2015: £610.6 million). The following table shows how the increase has been achieved.

	2016 £m	2015 £m
Recognised in the income statement:		
Operations segment result	29.4	23.6
Minority interest share of Operations segment result	1.2	1.2
Management fee adjustment related to trading with joint venture	5.4	4.1
Net revaluation gains	58.8	152.7
Debt exit costs	-	-
Loss on cancellation of interest rate swaps	-	(0.3)
Loss on disposal of properties	-	0.3
Other	-	0.2
	94.8	181.8
Recognised in equity:		
Movement in effective hedges	(1.4)	0.6
Other adjustments to the carrying value:		
Profit adjustment related to trading with joint venture	(6.3)	(11.9)
Increase in loan to USAF	-	30.5
Additional capital invested in USAF	-	29.1
Performance fee units issued in USAF	25.6	-
Additional capital invested in LSAV	-	23.3
USAF performance fee	(1.2)	(3.7)
Distributions received	(29.2)	(22.9)
Increase/(decrease) in carrying value	82.3	226.8
Carrying value at 1 January	610.6	383.8
Carrying value at 31 December	692.9	610.6

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

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.

	2016 £m	2015 £m
USAF	12.8	8.5
LSAV	8.0	4.7
Asset and property management fees*	20.8	13.2
LSAV	1.0	1.4
Development management fees	1.0	1.4
USAF performance fee	8.1	25.6
USAF acquisition fee	0.5	2.1
Investment management fees**	8.6	27.7
Total fees	30.3	42.3

* 2016 Asset and property management fees are shown gross. 2015 Asset and property management fees are shown as reported, net of trading with joint ventures. The equivalent gross figures in 2015 were £10.7m for USAF and £6.6m for LSAV.

** Included in the movement in EPRA NAV is a USAF performance fee of £6.5 million (2015: £20.2 million). This is the gross fee of £8.1 million (2015: £25.6 million) paid by USAF net of advisory fee costs of £0.5 million (2015: £2.2 million) and a £1.1 million (2015: £3.2 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 49.

Included in share of joint venture profit in the income statement is a share of joint venture property management fee costs of £1.6 million (2015: £1.4 million). On an EPRA basis these costs are deducted from the property management fees shown above, plus an adjustment for the minority interest of £0.4 million (2015: £0.2 million). This results in the net fees included in the Operating Segment result (note 2.2a) of £14.0 million (2015: £12.0 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 (2015: £1.7 million). This is the gross fee of £0.5 million (2015: £2.1 million) paid by USAF net of a £0.1 million (2015: £0.4 million) adjustment related to trading with joint ventures.

During the year the Group has paid operating lease rentals to USAF relating to two properties under a sale and leaseback agreement amounting to £2.2 million (2015: £2.7 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 sold two properties to USAF for £88.4 million. Both properties were 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. One property was sold to LSAV in 2015. The profits relating to sales and associated disposal costs and related cash flows are set out below:

	Profit and loss 2016	Profit and loss 2015
	LSAV £m	LSAV £m
Included in property sales and other income (net of joint venture trading adjustment)	–	77.2
Included in cost of sales	–	(70.1)
Profit on disposal of property	–	7.1

	Profit and loss 2016	Profit and loss 2015
	USAF £m	USAF £m
Included in profit on disposal of property (net of joint venture trading adjustment)	3.2	–
Profit on disposal of property	3.2	–

	Cash flow 2016	Cash flow 2015
	LSAV £m	LSAV £m
Proceeds	–	84.3
Net cash flows included in cash flows from operating activities	–	84.3

	Cash flow 2016	Cash flow 2015
	USAF £m	USAF £m
Gross proceeds	88.4	–
Net cash flows included in cash flows from investing activities	88.4	–

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

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	
	2016 £m	2015 £m
At 1 January	648.3	412.0
Revaluation	77.1	236.3
At 31 December	725.4	648.3

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 and properties under development. 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 129. 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 129.

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 (2015: £90.0 million). A further loan of £89.9 million (2015: £89.9 million) was provided to LDC (Holdings) plc with interest chargeable at 5.0%.

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.

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 pays a coupon of 2.5% until 10 October 2018. In accordance with IFRS, the equity and debt components of the bond are accounted for separately and the fair value of the debt component has been determined using the market interest rate for an equivalent non-convertible bond. 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 is amortised through the income statement from the date of issue. Issue costs of £2.0 million were allocated between equity and debt and the element relating to the debt component is being amortised over the life of the bond. The issue costs apportioned to equity of £0.2 million are not amortised.

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

	Group				Company	
	2016		2015		2016	2015
	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m	Carrying value £m	Carrying value £m
Current						
In one year or less, or on demand	1.3	1.2	31.3	31.2	0.1	1.4
Non-current						
In more than one year but not more than two years	108.1	132.2	1.5	1.4	85.3	–
In more than two years but not more than five years	126.3	125.8	202.2	240.4	90.0	83.0
In more than five years	239.1	223.0	240.1	225.5	–	90.0
	473.5	481.0	443.8	467.3	175.3	173.0
Total borrowings	474.8	482.2	475.1	498.5	175.4	174.4

In addition to the borrowings currently drawn as shown above, the Group has available undrawn facilities of £245.0 million (2015: £174.0 million). A further overdraft facility of £10.0 million (2015: £10.0 million) is also available.

The carrying value of borrowings is considered to be approximate to fair value, except for the Group's fixed rate loans carried at £330.3 million (2015: £331.4 million) and the convertible bond carried at £86.2 million (2015: £84.3 million). The convertible bond and £90.0 million (2015: £90.0 million) of the fixed rate loans are classified as Level 1 in the IFRS 13 fair value hierarchy and have a fair value of £212.5 million (2015: £218.4 million). The IFRS 13 Level categorisation relates to the extent the fair value can be determined by reference to comparable market values. The classifications range from Level 1 where instruments are quoted on an active market through to Level 3 where the assumptions used to arrive at fair value do not have comparable market data.

The remaining £240.3 million (2015: £241.4 million) of the fixed rate loans are classified as Level 2 in the IFRS 13 fair value hierarchy. The fair value of these fixed rate loans has been calculated by a third party expert discounting estimated future cash flows on the basis of market expectations of future interest rates. The fair value of these loans is £215.1 million (2015: £226.4 million).

Properties with a carrying value of £998.0 million (2015: £993.6 million) have been pledged as security against the Group's drawn down borrowings.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

Section 4: Funding continued

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:

	2016 £m	2015 £m
Current	–	–
Non-current	11.6	2.3
Fair value of interest rate swaps	11.6	2.3

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:	2016 £m	2015 £m
Finance income		
– Interest income on deposit	(0.1)	(0.2)
Finance income	(0.1)	(0.2)
Gross interest expense on loans	26.8	25.3
Interest capitalised	(5.9)	(2.7)
Loan interest and similar charges	20.9	22.6
Changes in mark to market of interest rate swaps not accounted for as hedges	–	0.6
Swap cancellation costs	1.0	–
Finance costs	21.9	23.2
Net financing costs	21.8	23.0

The average cost of the Group's wholly owned investment debt at 31 December 2016 is 4.4% (2015: 4.7%). The overall average cost of investment debt on an EPRA basis is 4.2% (2015: 4.5%).

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	2016 £m	2015 £m
Cash and cash equivalents	5.1	42.7	27.0
Current borrowings	4.1	(1.3)	(31.3)
Non-current borrowings	4.1	(473.5)	(443.8)
Interest rate swaps liabilities	4.2	(11.6)	(2.3)
Net debt per balance sheet		(443.7)	(450.4)
Mark to market of interest rate swaps		11.6	2.3
Adjusted net debt		(432.1)	(448.1)
Reported net asset value (attributable to owners of the parent company)	2.3c	1,451.6	1,275.1
EPRA net asset value	2.3c	1,557.3	1,394.4
Gearing			
Basic (Net debt/Reported net asset value)		31%	35%
Adjusted gearing (Adjusted net debt/EPRA net asset value)		28%	32%
Gearing (EPRA net debt/EPRA net asset value)	2.3a	50%	52%
Loan to value (EPRA net debt/Total property portfolio)	2.3a	34%	35%

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

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 2016 (2015: £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. During 2016, 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 2016, after taking account of interest rate swaps, 100% (2015: 87%) of the Group's medium and long-term investment borrowing was held at fixed rates. Excluding the £92.9 million (2015: £1.7 million) of swaps the fixed investment borrowing is at an average rate of 4.6% (2015: 4.6%) for an average period of 5 years (2015: 6 years), including these swaps the average rate is 4.2% (2015: 4.6%).

The Group holds interest rate swaps at 31 December 2016 against £92.9 million (2015: £1.7 million) of the Group's borrowings. The maturity of these swaps and the applicable interest rates are as follows:

	2016 Nominal amount hedged £m	2016 Applicable interest rates %	2015 Nominal amount hedged £m	2015 Applicable interest rates %
Within one year	–	–	–	–
Between one and two years	–	–	–	–
Between two and five years	47.6	1.8	–	–
More than five years	45.3	2.2	1.7	5.6

During the year, if interest rates had increased/decreased by 1%, pre-tax profit for the year would have been £0.6 million (2015: £0.7 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

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
Interest rate swaps – ineffective	-	-	-	-	-
	723.4	146.4	135.2	181.0	260.8

2015

	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*	509.3	50.3	19.6	171.5	267.9
Convertible bonds	96.1	2.2	2.2	91.7	-
Trade and other payables	115.5	115.5	-	-	-
Interest rate swaps – effective	9.1	0.3	0.6	4.8	3.4
Interest rate swaps – ineffective	-	-	-	-	-
	730.0	168.3	22.4	268.0	271.3

* The contractual undiscounted cashflows include £108.8m (2015 £114.3m) in relation to the Company.

During 2013 the Group issued £89.9m of convertible bonds. The bonds have a maturity date of 10 October 2018. Under the terms of the Convertible Bond, early conversion of the debt into equity can be triggered if the share price trades over 1.3 times the conversion price for a period of time. As at 31 December 2016 this threshold has not been triggered. This threshold was triggered as at 31 December 2015; the bondholders had the right to exercise until 31 March 2016; no bondholders exercised during this period. The bondholders may exercise the Conversion Right in certain circumstances discussed above but this is contingent on a number of factors and therefore the bonds are shown to maturity in the above disclosure.

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 2016, 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 a mixture of available cash and add additional property to banks' security pools.

	31 December 2016		31 December 2015	
	Weighted covenant	Weighted actual	Weighted covenant	Weighted actual
Loan to value	74%	15%*	74%	29%*
Interest cover	1.5	4.04	1.47	4.47
Minimum net worth	-	-	£250m	£1,394

* Calculated on the basis that available cash is used to reduce debt and available property can be used as additional security.

NOTES TO THE FINANCIAL STATEMENTS

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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:

	2016 £m	2015 £m
Less than one year	13.8	14.7
Between one and five years	56.2	57.2
More than five years	171.0	154.5
Total	241.0	226.4

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 13 and 18 years and subject to annual RPI-based rent review. The total operating lease expenditure incurred during the year was £15.3 million (2015: £15.4 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:

	2016 £m	2015 £m
Less than one year	77.1	85.4
Between one and five years	140.4	124.3
More than five years	267.2	26.7
Total	484.7	236.4

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 (4.5a(ii))

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. £132.4 million of property assets were sold in 2016 and we plan to sell an average of £150 – £200 million of property each year. The Group targets a yield on cost of approximately 9%. 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 £61.3 million (2015: £40.8 million) during the year, thereby covering the proposed dividend of £40.0 million, 1.5 times (2015: £33.2 million, 1.2 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:

Called up, allotted and fully paid ordinary shares of £0.25p each	2016			2015		
	No. of shares	Ordinary shares £m	Share Premium £m	No. of shares	Ordinary shares £m	Share Premium £m
At start of year	221,930,911	55.5	493.3	201,541,803	50.4	385.8
Share placing	-	-	-	20,137,326	5.0	107.3
Share options exercised	114,905	-	0.3	251,782	0.1	0.2
At end of year	222,047,816	55.5	493.6	221,930,911	55.5	493.3

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

4.9 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 £13.2 million – 6.0p per share (2015: £12.1 million – 5.5p per share) and paid a £21.0 million final dividend – 9.5p per share relating to the year ended 31 December 2015 (2014: £19.8 million – 9.0p per share).

After the year end, the Directors proposed a final dividend per share of 12.0p (2015: 9.5p), bringing the total dividend per share for the year to 18.0p (2015: 15.0p). No provision has been made in relation to this dividend.

NOTES TO THE FINANCIAL STATEMENTS

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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 2016 was £42.7 million (2015: £27.0 million).

At 31 December 2016 the Company had an overdraft of £0.1 million (2015: overdraft £1.4 million).

The Group's cash balances include £13.4 million (2015: £8.5 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:

	Note	Group		Company	
		2016 £m	2015 £m	2016 £m	2015 £m
Profit/(loss) for the year		226.4	355.7	213.8	289.9
Adjustments for:					
Depreciation and amortisation	3.3	4.4	2.6	-	-
Fair value of share based payments	6.1	1.2	2.9	-	-
Dividends received		-	-	(139.3)	(55.7)
Change in value of investment property	3.1	(77.2)	(164.8)	-	-
Change in value of investments	3.5	-	-	(77.1)	(236.3)
Net finance costs	4.3	21.8	23.0	(0.3)	(0.3)
(Profit)/loss on disposal of investment property		(0.4)	0.6	-	-
Share of joint venture profit	3.4b	(94.8)	(181.8)	-	-
Trading with joint venture adjustment		7.5	15.5	-	-
Tax charge/(credit)	2.5a	(25.0)	32.7	-	-
Cash flows from operating activities before changes in working capital		63.9	86.4	(2.9)	(2.4)
(Increase)/decrease in trade and other receivables		(20.4)	(39.6)	-	-
Decrease/(increase) in completed property and property under development		-	70.1	-	-
Decrease/(increase) in inventories		0.7	0.3	-	-
Increase/(decrease) in trade and other payables		26.1	3.6	0.3	0.2
Cash flows from operating activities		70.3	120.8	(2.6)	(2.2)

£25.6 million of the brought forward trade and other receivables was settled in units in the USAF rather than cash.

Cash flows consist of the following segmental cash inflows/(outflows): Operations £61.3 million (2015: £40.8 million), property (£6.0 million) (2015: (£48.3 million)) and unallocated (£39.6 million) (2015: £6.9 million). The unallocated amount includes Group dividends (£34.2 million) (2015: (£31.9 million)), tax payable of (£2.2 million) (2015: (£0.3 million)), investment in joint ventures (£nil) (2015: (£52.4 million)), contributions to UNITE Foundation (£1.0 million) (2015: (£1.0 million)) and amounts received from shares issued £0.3 million (2015: £112.6 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	
	2016 £m	2015 £m	2016 £m	2015 £m
Trade receivables	17.8	2.3	–	–
Amounts due from group undertakings	–	–	686.4	639.3
Amounts owed by joint ventures	36.3	41.7	–	–
Prepayments and accrued income	8.4	7.1	–	–
USAF performance fee	8.1	25.6	–	–
Other receivables	7.3	6.3	–	–
Trade and other receivables	77.9	83.0	686.4	639.3

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.

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	–

2015

	Ageing by academic year			
	Total £m	2015/16 £m	2014/15 £m	Prior years £m
Rental debtors				
Commercial tenants (past due and impaired)	0.8	0.6	0.1	0.1
Individual tenants (past due and impaired)	3.6	1.9	0.7	1.0
Provisions carried	(2.1)	(0.4)	(0.6)	(1.1)
Trade receivables	2.3	2.1	0.2	–

Amounts receivable from joint ventures are not past due or impaired.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

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:

	2016 £m	2015 £m
At 1 January	2.1	1.7
Impairment charged to income statement in year	0.7	0.4
Receivables written off during the year (utilisation of provision)	(1.4)	–
At 31 December	1.4	2.1

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 exposure to credit risk was as follows:

	Note	2016 £m	2015 £m
Cash	5.1	42.7	27.0
Trade receivables	5.2	17.8	2.3
Amounts due from joint ventures (excluding loans that are capital in nature)	5.2	36.3	41.7
		96.8	71.0

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 £8.5 million (2015: £7.8 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 therefore view 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	
	2016 £m	2015 £m	2016 £m	2015 £m
Trade payables	16.8	20.7	–	–
Retentions on construction contracts for properties	5.8	4.6	–	–
Amounts due to group undertakings	–	–	1.3	58.2
Other payables and accrued expenses	45.8	52.5	3.0	2.7
Deferred income	55.3	37.7	–	–
Trade and other payables	123.7	115.5	4.3	60.9

Other payable and accrued expenses include £8.5 million (2015: £7.8 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 £2.5 million (2015: £2.3 million).

As a result of these intercompany transactions, the following amounts were due (to)/from the Company's subsidiaries at the year end.

	2016 £m	2015 £m
Unite Holdings plc	70.7	103.7
LDC (Holdings) plc	615.7	534.6
UNITE Jersey Issuer Ltd	-	1.0
Amounts due from Group undertakings	686.4	639.3
Unilodge Holding Ltd	-	(58.2)
Unilodge Holdings (UK) Ltd	-	-
UNITE Jersey Issuer Ltd	(1.3)	-
Amounts due to Group undertakings	(1.3)	(58.2)

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

The Company has guaranteed £121 million of its subsidiary companies' borrowings (2015: £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.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

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	
	2016	2015
Managerial and administrative	325	330
Site operatives	881	758
	1,206	1,088

The aggregate payroll costs of these persons were as follows:

	2016 £m	2015 £m
Wages and salaries	38.0	37.5
Social security costs	3.6	3.5
USAF performance fee bonus	-	2.2
Pension costs	1.2	1.1
Fair value of share based payments	1.2	2.9
	44.0	47.2

The wages and salaries costs include redundancy costs of £1.0 million (2015: £0.7 million).

Full details of the USAF performance fees are set out in the Strategic Report on pages 1 to 49.

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 84 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'	}	Details can be found in the Directors' Remuneration Report
Executive share option scheme – 'The Unapproved Scheme'		
Executive Long-Term Incentive Plan (LTIP)		
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 2016	Number of options (thousands) 2016	Weighted average exercise price 2015	Number of options (thousands) 2015
Outstanding at 1 January	£0.91	2,774	£0.57	3,618
Forfeited during the year	£0.80	(495)	£1.13	(168)
Exercised during the year	£0.40	(845)	£0.35	(1,337)
Granted during the year	£1.47	679	£1.76	661
Outstanding at 31 December	£1.32	2,113	£0.91	2,774
Exercisable at 31 December			£0.58	109

For those options exercised in the year, the average share price during 2016 was £6.24 (2015: £5.93).

For those options still outstanding, the range of exercise prices at the year end was 0p to 642p (2015: 0p to 584p) and the weighted average remaining contractual life of these options was 1.6 years (2015: 0.4 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 2016 the number of shares held by the ESOT was 1,165,592 (2015: 1,589,285).

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

Section 7: Events after the balance sheet date

In the normal course of business subsequent to the year end the Group completed one acquisition transaction on 9 February 2017 and one disposal transactions on 17 February 2017 within Investment Property and Investment Property held within its investment in joint ventures.

NOTES TO THE FINANCIAL STATEMENTS

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Section 8: 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 2016 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.

Registered office: The Core, 40 St Thomas Street, Bristol, BS1 6JX

Branch/Arm Limited

Fitzhardinge Properties Limited

Hiremax Limited (03128294)**

Infocarth Limited (04334283)**

LDC (AIB Warehouse) Limited

LDC (Alcott Road) Limited

LDC (Brunel House) Limited (09760628)**

LDC (Camden Court Leasehold) Limited (5140620)**

LDC (Camden Court) Limited (05082671)**

LDC (Capital Cities Nominee no. 1) Limited

LDC (Capital Cities Nominee no. 2) Limited

LDC (Capital Cities Nominee no. 3) Limited

LDC (Capital Cities Nominee no. 4) Limited

LDC (Capital Cities) Limited

LDC (Causewayend) Limited

LDC (Chantry Court Leasehold) Limited (05140258)**

LDC (Chaucer House) Limited (09898020)**

LDC (Constitution Street) Limited (09210998)**

LDC (Construction Two) Limited (04847268)**

LDC (Curzon Street) Limited (04628271)**

LDC (Euro Loan) Limited

LDC (For Gosford) Limited (09150149)**

LDC (Ferry Lane 2) GP 3 Limited

LDC (Ferry Lane 2) GP 4 Limited

LDC (Ferry Lane 2) Holdings Limited

LDC (Finance) Limited

LDC (Frogmore Street) Limited* (03389585)**

LDC (Greenham Street) Limited

LDC (Gt Suffolk St) Limited Partnership

LDC (Gt Suffolk St) Management Limited Partnership

LDC (Gt Suffolk Street) GP1 Limited

LDC (Gt Suffolk Street) GP2 Limited

LDC (Gt Suffolk Street) Holdings Limited

LDC (Gt Suffolk Street) Management GP1 Limited

LDC (Gt Suffolk Street) Management GP2 Limited

LDC (Hampton Street) Limited (06415998)**

LDC (Hillhead) Limited

LDC (Holdings) PLC**

LDC (Holloway Road 3) Limited (06333899)**

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

LDC (Magnet Court Leasehold) Limited (05140255)**

LDC (Mansfield) GP1 Limited

LDC (Mansfield) GP2 Limited

LDC (Mansfield) GP3 Limited (07434025)**

LDC (Mansfield) GP4 Limited (07434071)**

LDC (Mansfield) Limited

LDC (Mansfield) Limited Partnership

LDC (Mansfield) Management Limited Partnership

LDC (Margaret Rule Freehold) Limited (06641265)**

LDC (Margaret Rule Leasehold) Limited (06641261)**

LDC (Millennium View) Limited (09890375)**

LDC (MTP Portfolio) Limited

LDC (Nam Street) GP 3 Limited

LDC (Nam Street) GP 4 Limited

LDC (Nam Street) Holdings Limited

LDC (Newgate) Limited (08895869)**

LDC (New Wakefield) Limited

LDC (Old Hospital) Limited (09702143)**

LDC (Oxford Road Bournemouth) Limited (04407309)**

LDC (Palmes) Limited (05918624)**

LDC (Portfolio 100) Limited

LDC (Portfolio 20) Limited

LDC (Portfolio Five Nominee) Limited

LDC (Portfolio Five) Limited (06079581)**

LDC (Portfolio Four) Limited

LDC (Portfolio One) Limited

LDC (Portfolio Ten) Limited (06877517)**

LDC (Portfolio) Limited

LDC (Project 110) Limited

LDC (Project 111) Limited

LDC (Radmarsh Road) Limited

LDC (Skelthorne) Limited (09898132)**

LDC (Smithfield) Limited (03373096)**

LDC (St Leonards) Limited (08895830)**

LDC (St Pancras Way) GP 1 Limited

LDC (St Pancras Way) GP 2 Limited

LDC (St Pancras Way) GP 3 Limited

LDC (St Pancras Way) GP 4 Limited

LDC (St Pancras Way) Holdings Limited

LDC (St Pancras Way) Limited Partnership

LDC (St Pancras Way) Management Limited Partnership

LDC (St Vincents) Limited (10218310)**

LDC (Swinson NHS) Limited

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 (Ventura) Limited

LDC (Vernon Square) Limited (06444132)**

LDC (William Mors II) Limited

LDC Capital Cities Two (GP) Limited

Leadmill Road GP Limited (06016429)**

Lennon Studios Student Accommodation Limited

Partnership

LSAV (Angel Lane) GP3 Limited

LSAV (Angel Lane) GP4 Limited

LSAV (Stratford) GP3 Limited

LSAV (Stratford) GP4 Limited

LSAV (Wembley) GP3 Limited

LSAV (Wembley) GP4 Limited

LSAV Rent Collection Limited

LSAV (Stapleton) GP3 Limited

LSAV (Stapleton) GP4 Limited

Railyard GP Limited (06016486)**

Railyard Student Accommodation Limited Partnership

Stardesert Limited

The UNITE Foundation

Unite Accommodation Management 16 Limited

(07061314)**

Unite Accommodation Management 17 Limited

(08163228)**

Unite Accommodation Management 18 Limited

(08328484)**

Unite Accommodation Management 19 Limited

Unite Accommodation Management 20 Limited

Unite Accommodation Management 4 Limited

(06486225)**

Unite Accommodation Management 6 Limited

Unite Accommodation Management 8 Limited

Unite Accommodation Management 9 Limited

(06190863)**

Unite Accommodation Management Limited

Unite Accommodation Management One

Hundred Limited

UNITE Capital Cities Holdings Limited

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

Unite Finance One (Holdings) Limited (04316207)**

UNITE Finance One (Property) Limited (04303331)**

UNITE FM Limited (06807562)**

UNITE For Success Limited

Unite Holdings Ltd* (03148468)**

UNITE Homes Limited (05140262)**

Unite Integrated Solutions plc

Unite London Limited

Unite Modular Solutions Limited

Unite Rent Collection Limited (0598935)**

UNITE Student Living Limited

USAF GP No 11 Management Limited

USAF LP Limited (05860874)**

USAF Management GP No 14 Limited

USAF Management GP No.15 Limited

USAF Management GP No.16 Limited

USAF Management GP No 17 Limited

USAF Nominee No 7 Limited

USAF Nominee No 7A Limited

Zenith (Two) Limited

USAF Management 10 Limited

USAF Management 11 Limited

USAF Management 12 Limited

USAF Management 14 Limited

USAF Management 18 Limited

USAF Management 6 Limited

USAF Management 8 Limited

USAF Management Limited

LDC (Ferry Lane 2) GP 1 Limited (50.00%)

LDC (Ferry Lane 2) GP 2 Limited (50.00%)

LDC (Ferry Lane 2) Limited Partnership (50.00%)

LDC (Ferry Lane 2) Management Limited Partnership (50.00%)

LDC (Stratford) GP1 Limited (50.00%)

Section 8: Company subsidiaries and joint ventures continued

Registered office: The Core, 40 St Thomas Street, Bristol, BS1 6JX

LDC (Stratford) GP2 Limited (50.00%)
 LDC (Stratford) Limited Partnership (50.00%)
 LSAV (Angel Lane) GP1 Limited (50.00%)
 LSAV (Angel Lane) GP2 Limited (50.00%)
 LSAV (Angel Lane) Limited Partnership (50.00%)
 LSAV (Angel Lane) 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 (50.00%)
 LSAV (Wembley) GP2 Limited (50.00%)
 LSAV (Wembley) Limited Partnership (50.00%)
 LSAV (Wembley) Management Limited Partnership (50.00%)
 LSAV (Stapleton) GP1 Limited (50.00%)
 LSAV (Stapleton) GP2 Limited (50.00%)
 Unite Capital Cities Limited Partnership (50.00%)
 Unite Capital Cities Two Limited Partnership (50.00%)
 USAF Management No. 15 Limited Partnership (23.20%)
 USAF Management No. 16 Limited Partnership (23.20%)
 USAF Management No. 17 Limited Partnership (23.20%)
 USAF No. 15 Limited Partnership (23.20%)
 Ribert Village Student Accommodation Limited Partnership (22.90%)
 Forster Hall Limited Partnership (22.90%)
 Student Hall Nominees Limited (22.90%)
 USAF Management No. 18 LP (22.90%)

USAF No. 1 Limited Partnership (22.90%)
 USAF No. 10 Limited Partnership (22.90%)
 USAF No. 11 Limited Partnership (22.90%)
 USAF No. 11 Management Limited Partnership (22.90%)
 USAF No. 12 Limited Partnership (22.90%)
 USAF No. 14 Limited Partnership (22.90%)
 USAF No. 14 Management Limited Partnership (22.90%)
 USAF No. 18 Limited Partnership (22.90%)
 USAF No. 6 Limited Partnership (22.90%)
 USAF No. 8 Limited Partnership (22.90%)
 LDC (Norm Street) Limited Partnership (22.80%)
 LDC (Norm Street) Management Limited Partnership (22.80%)
 Ribert Village GP Limited (14.40%)
 Forster Hall GP Limited (14.40%)
 LDC (Norm Street) GP 1 Limited (14.40%)
 LDC (Norm Street) GP 2 Limited (14.40%)
 USAF Finance 1 Limited (14.40%)
 USAF GP No. 1 Limited (14.40%)
 USAF GP No. 10 Limited (14.40%)
 USAF GP No. 11 Limited (14.40%)
 USAF GP No. 12 Limited (14.40%)
 USAF GP No. 14 Limited (14.40%)
 USAF GP No. 4 Limited (14.40%)
 USAF GP No. 15 Limited (14.40%)
 USAF GP No. 18 Limited (14.40%)
 USAF GP No. 5 Limited (14.40%)
 USAF GP No. 6 Limited (14.40%)
 USAF GP No. 8 Limited (14.40%)

USAF Holdings B Limited (14.40%)
 USAF Holdings C Limited (14.40%)
 USAF Holdings F Limited (14.40%)
 USAF Holdings G Limited (14.40%)
 USAF Holdings H Limited (14.40%)
 USAF Holdings I Limited (14.40%)
 USAF Holdings J Limited (14.40%)
 USAF Holdings Limited (14.40%)
 USAF Nominee No. 1 Limited (14.40%)
 USAF Nominee No. 10 Limited (14.40%)
 USAF Nominee No. 10A Limited (14.40%)
 USAF Nominee No. 11 Limited (14.40%)
 USAF Nominee No. 10 Limited (14.40%)
 USAF Nominee No. 12 Limited (14.40%)
 USAF Nominee No. 12A Limited (14.40%)
 USAF Nominee No. 14 Limited (14.40%)
 USAF Nominee No. 14A Limited (14.40%)
 USAF Nominee No. 18 Limited (14.40%)
 USAF Nominee No. 18A Limited (14.40%)
 USAF Nominee No. 1A Limited (14.40%)
 USAF Nominee No. 5 Limited (14.40%)
 USAF Nominee No. 5A Limited (14.40%)
 USAF Nominee No. 6 Limited (14.40%)
 USAF Nominee No. 6A Limited (14.40%)
 USAF Nominee No. 8 Limited (14.40%)
 USAF Nominee No. 8A Limited (14.40%)
 USAF RCC Limited (14.40%)

Registered office: 13 Castle Street, St Helier, Jersey, JE4 5UT

LDC (GI Suffolk St) Unit Trust
 LDC (Mansfield) 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%)

UNITE Capital Cities Unit Trust (50.00%)
 Student Halls Long Lease 1 Unit Trust (22.90%)
 USAF Portfolio 18 Unit Trust (22.90%)
 LDC (Norm Street) Unit Trust (22.80%)
 UNITE UK Student Accommodation Fund (14.40%)

Registered office: Third Floor, La Plaiderie Chambers, St Peter Port, Guernsey, GY1 1WG

USAF Feeder Guernsey Limited (45.20%)
 USAF 15F Unit Trust (23.20%)

USAF Portfolio 15 Unit Trust (23.20%)
 USAF Portfolio 16 Unit Trust (23.20%)

USAF Portfolio 17 Unit Trust (23.20%)

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

Leadmill Road Student Accommodation Unit Trust
 Lennon Studios Student Accommodation Unit Trust

The Railyard Student Accommodation Unit Trust

Ribert Street Student Accommodation Unit Trust (22.90%)

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 accounts by virtue of s479A for the financial year ended 31 December 2016.

FINANCIAL RECORD

	2016	2015	2014	2013	2012
EPRA NAV per share (pence)	646	579	434	382	350
IFRS NAV per share (pence)	653	574	416	370	321
EPRA net assets (£m)	1,557	1,394	881	682	567
IFRS net assets (£m)	1,452	1,275	843	653	516
Managed portfolio value (£m)	4,327	3,827	2,951	2,736	2,688
LTV adjusted see-through (%)	34%	35%	43%	49%	52%
EPRA earnings (£m)	61	50	33	23	16
Profit/(loss) before tax (£m)	201	388	108	77	126
EPRA earnings per share (pence)	28	29	17	18	10
Adjusted EPRA earnings per share (pence)	28	23	17	14	10
IFRS earnings per share (pence)	101	164	53	46	78

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of The United Group plc (the Company) will be held at 3 Rivergate, Temple Quay, Bristol BS1 6GD at 10.00am on 11 May 2017 for the purpose of considering and, if thought fit, passing Resolutions 1 to 14 as ordinary resolutions and Resolutions 15 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 2016 together with the Directors' Report, the Strategic Report and the auditors' 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 2016 of 12.0p per ordinary share payable on 19 May 2017 to shareholders on the register of members of the Company at the close of business on 21 April 2017.

Re-election of Directors

4. To re-elect Mr P M White as a Director of the Company.
5. To re-elect Mr R S Smith as a Director of the Company.
6. To re-elect Mr J J Lister as a Director of the Company.
7. To re-elect Mr R C Simpson as a Director of the Company.
8. To re-elect Mrs M Walstenholme 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.

Auditors

12. To reappoint Deloitte LLP as auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.
13. To authorise the Directors to determine the remuneration of the auditors.

Authority to allot shares

14. 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 £18,505,732 (representing approximately one third of the nominal value of the issued ordinary share capital of the Company as at 22 February 2017), such amount to be reduced by the nominal amount of any allotments or grants made under paragraph (b) below in excess of £18,505,732;
 - (b) To allot equity securities (as defined in Section 560(1) of the Act) up to an aggregate nominal amount of £37,011,464 (representing approximately two-thirds of the nominal value of the issued ordinary share capital of the Company as at 22 February 2017) (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

NOTICE OF ANNUAL GENERAL MEETING

CONTINUED

- (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.

Special Resolutions

Authority to disapply pre-emption rights

15. That if Resolution 14 (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 £2,775,859 (this amount representing not more than 5% of the issued ordinary share capital of the Company as at 22 February 2017),

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 10 August 2018, 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.

16. That if Resolution 14 (Authority to allot shares) is passed, the Board be authorised in addition to any authority granted under Resolution 15 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 £2,775,859 (this amount representing not more than 5% of the issued ordinary share capital of the Company as at 22 February 2017); 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 10 August 2018, 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.

To amend Article 94 (Directors' fees) of the Articles of Association

17. That, Article 94 (Directors' fees) of the Articles of Association be amended by deleting the existing Article 94 and replacing it with the following:

"The Directors (other than alternate Directors) shall be entitled to receive by way of fees for their services as Directors such sum as the Board may from time to time determine (not exceeding £750,000 per annum in aggregate or such other sum as the Company in general meeting shall from time to time determine). Such sum (unless otherwise directed by the resolution of the Company by which it is voted) shall be divided among the Directors in such proportions and in such manner as the Board may determine or in default of such determination, equally (except that in such event any Director holding office for less than the whole of the relevant period in respect of which the fees are paid shall only rank in such division in proportion to the time during such period for which he holds office). Any fees payable pursuant to this Article shall be distinct from any salary, remuneration or other amounts payable to a Director pursuant to any other provisions of these Articles and shall accrue from day to day."

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

22 February 2017

Registered office:

The Core

40 St Thomas Street Bristol

BS1 6JX

Registered in England and Wales with registered number 03199160

NOTICE OF ANNUAL GENERAL MEETING

CONTINUED

Notes

1. A member of the Company who wishes to attend the meeting in person should arrive at 3 Rivergate, Temple Quay, Bristol BS1 6GD in good time before the meeting, which will commence at 10.00am. 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 10.00am on 9 May 2017.
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 10.00am on 9 May 2017. Should you complete your proxy form electronically and then post a hard copy, the form that arrives last will be counted to the exclusion of instructions received earlier, whether electronic or posted. Please refer to the terms and conditions of the service on the website.
9. In the case of joint holders of shares, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
10. If you submit more than one valid proxy appointment in respect of the same shares, the appointment received last before the latest time for the receipt of proxies will take precedence.

11. Any person to whom this notice has been sent who is a person nominated under Section 146 of the Act to enjoy information rights (a Nominated Person) may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
12. The statement of the rights of shareholders in relation to the appointment of proxies above does not apply to Nominated Persons. These rights can only be exercised by shareholders of the Company.
13. Pursuant to Part 13 of the Companies Act 2006 and Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), the Company specifies that only those shareholders registered in the register of members of the Company at 5.00pm on 9 May 2017 (or, if the meeting is adjourned, 48 hours before the time 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 22 February 2017 (being the last practicable business day prior to the publication of this Notice), the Company's issued share capital comprised 222,068,787 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 22 February 2017 are 222,068,787.
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.)

NOTICE OF ANNUAL GENERAL MEETING

CONTINUED

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 Annual General Meeting. (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 9.15am on the day of the meeting until its conclusion:
 - (a) copies of the Executive Directors' service contracts with the Company and any of its subsidiary undertakings; and
 - (b) letters of appointment of the Non-Executive Directors.

GLOSSARY

Adjusted EPRA earnings

Adjusted EPRA earnings are prepared on the basis of EPRA earnings excluding the yield related element of the USAF performance fee.

Adjusted EPRA earnings per share

The earnings per share based on adjusted EPRA earnings.

Adjusted net debt

The Group's debt, net of cash and unamortised debt raising costs, excluding the mark to market of interest rates swaps.

Adjusted net debt to property assets

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.

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: EBITDA

The Group see-through 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).

GLOSSARY

CONTINUED

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 measures shows operating expenses, net of management fees, as a proportion of the gross asset value.

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.

See-through

See-through refers to the Group's wholly owned assets or liabilities in addition to the share of the joint ventures (USAF and LSAV) assets or liabilities.

Total income from managed portfolio

This measure indicates the overall scale of the property portfolio that the Group manages. It comprises rental and related income, totalling £304.9 million from properties owned by Unite and its co-investment vehicles.

The Group's share of this gross income is shown in note 2.2(a).

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.

COMPANY INFORMATION

Unite Group Executive Team

Richard Smith
Chief Executive Officer

Joe Uster
Chief Financial Officer

Richard Simpson
Group Property Director

Registered Office

The Core
40 St Thomas Street
Bristol BS1 6JX

Registered Number in England

3199160

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

Bill Pottinger
Holborn Gate
26 Southampton Buildings
London WC2A 1PB

OTHER INFORMATION

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.

WHERE TO
FIND MORE

WWW.UNITE-GROUP.CO.UK

The Unite Group plc
The Core
40 St Thomas Street
Bristol BS1 6JX
+44 (0) 117 302 7000
info@unite-students.com

www.unite-group.co.uk
www.unitestudents.com