UNITE STUDENTS

INVESTING IN SUCCESS

The Unite Group plc
Annual Report and Accounts 2014

INVESTING IN SUCCESS

Unite Students is the UK's largest and most experienced developer and operator of student accommodation. We provide a home for 43,000 students in 125 properties in 25 of the UK's strongest University towns and cities.

We work in partnership with more than 55 Universities, as well as renting rooms directly to students and we have over 1,000 employees.

Our culturally-diverse customers are at the heart of our business and we aim to provide them with a home that supports their success, academic achievement, personal growth and employability. Working with our partner Universities we aim to provide the right accommodation experience for their students.

Our properties provide high quality, well-located, safe accommodation close to University campuses, transport and local amenities. Our rent includes a study bedroom, all bills, insurance, 24-hour security and high speed Wi-Fi throughout our buildings.

We are focused on delivering attractive returns for our investors, while balancing investment in customer service, our operating platform and future development opportunities.

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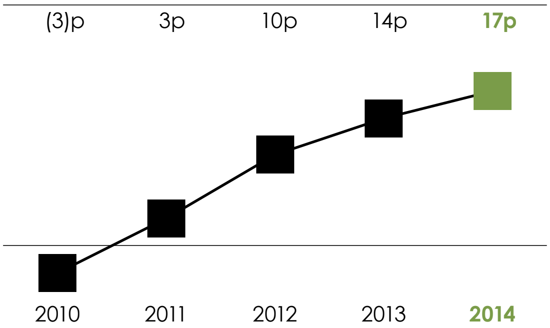
FINANCIAL HIGHLIGHTS

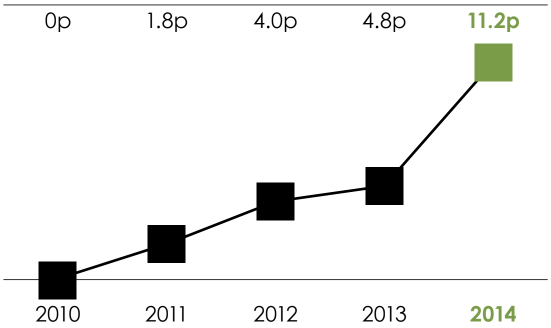
STRONG RESULTS ACROSS THE BUSINESS

- Recurring profits up 44%
- Dividend doubled
- Highly visible earnings growth prospects
- High quality development programme
- Positive rental growth outlook
- Strong brand and scalable operating platform
- Market dynamics remain positive
- Reservations and rental outlook for 2015/16 are strong

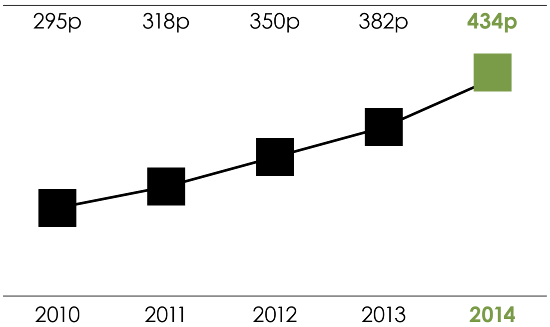
EARNINGS PER SHARE
PENCE



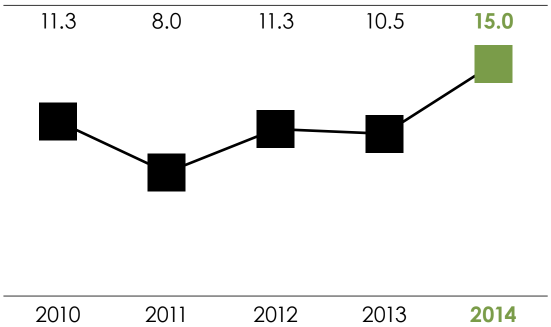
DIVIDEND PER SHARE
PENCE



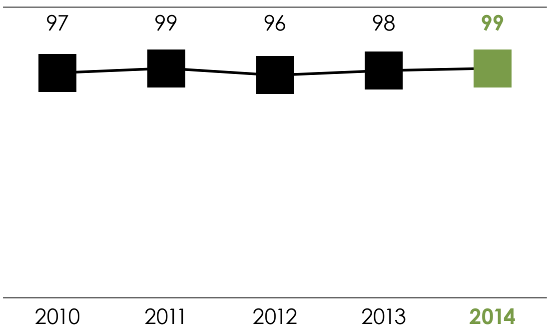
NET ASSET VALUE
PENCE PER SHARE



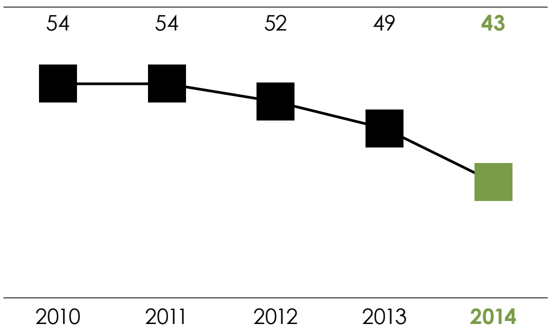
TOTAL RETURN
%



OCCUPANCY
%



LOAN TO VALUE RATIO
%



STRATEGIC REPORT

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The Anvil, Sheffield

WHAT WE DO

OUR PURPOSE: HOME FOR SUCCESS

OUR CORE PURPOSE IS TO PROVIDE STUDENTS WITH A HOME FOR SUCCESS. THIS MEANS PROVIDING A COMFORTABLE ENVIRONMENT THAT ENABLES STUDENTS TO ACHIEVE MORE DURING THEIR TIME AT UNIVERSITY AND REFLECTS THE DESIRE OF OUR EMPLOYEES TO POSITIVELY CONTRIBUTE TO MAKING STUDENTS FEEL AT HOME.

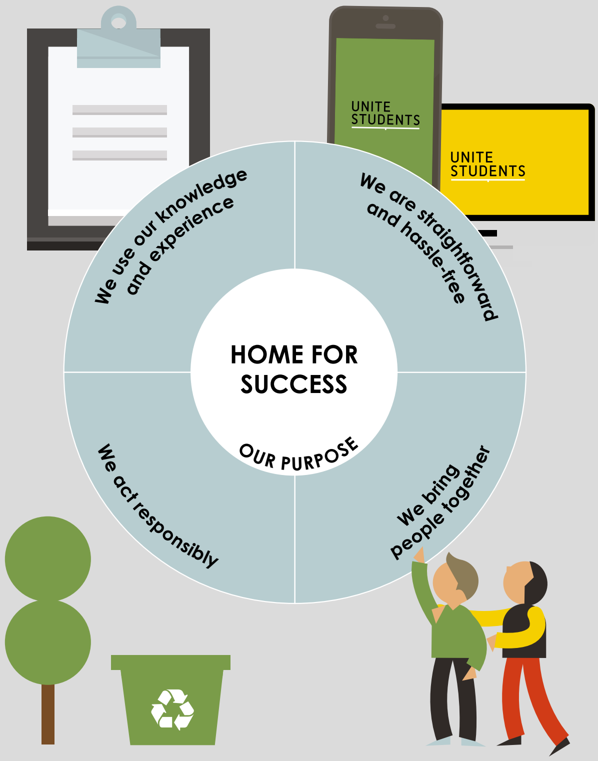
OUR PURPOSE SITS AT THE HEART OF OUR BRAND.

Creating a Home for Success for our students is only possible by delivering great results for all our stakeholders. We do this by:

- Working in partnership with Universities to help them achieve the right accommodation experience for their students in line with their strategic plans
- Ensuring that Unite and the students living with us bring positive benefits to their local community and encouraging integration between the community and students
- Offering our employees meaningful, challenging and rewarding careers
- Delivering sustainable, growing cash flows and consistent low double digit total returns to our investors

Home for Success supports our business model and strategy to create long-term value for all our stakeholders.

Read more on page 18



THE UNITE FOUNDATION

Unite Foundation

IN 2012 WE SET UP THE UNITE FOUNDATION

The Unite Foundation is a charitable trust providing free University accommodation and a generous annual scholarship to young people who aspire to a degree, but face the most challenging circumstances. Reflecting our purpose, Home for Success, particular emphasis is placed on supporting students for whom a secure home is of particular significance.

This year we provided 90 scholarships, which will increase to around 125 in the next academic year, and we committed £8.5 million in funding to the foundation for the next five years.

Find out more about the Unite Foundation at www.unitefoundation.co.uk

HOME FOR SUCCESS SUPPORTS OUR BUSINESS MODEL BY CREATING LONG-TERM VALUE FOR ALL OUR STAKEHOLDERS

Our business is split into two business units, Operations and Property.

OPERATIONS

Filbert Village, Leicester

The **Operations business unit** is responsible for our 125 properties including those owned by our co-investment vehicles. Operations add value by:

- Delivering high levels of customer service and building trust in our brand
- Letting our rooms to students and our University partners to deliver operating cash flows and earnings
- Delivering sustainable annual growth in rental income and profits, increasing the value of our investment portfolio
- Ensuring our infrastructure is able to support cost saving and service improvement initiatives such as mobile working
- Earning a management fee for operating all properties on behalf of our co-investment vehicles

Progress is measured through earnings per share, operating cash flow, customer satisfaction, Higher Education trust and safety benchmarks.

Read more on page 30

PROPERTY

Stratford ONE, London

Our **Property business unit** is responsible for our development and asset management strategy, and oversees our two co-investment vehicles. Property adds value by:

- Identifying and managing the delivery of new development opportunities to promote sustainable growth
- Maintaining and enhancing the value of our investment assets through targeted asset management activities
- Identifying and managing asset disposal activities, generating capital for re-investment into new development activity

The key metrics for the Property business unit are net asset value per share and loan to value.

Read more on page 33

A YEAR OF ACHIEVEMENT

2014 has been a year of achievement across the business. We have made improvements to our operations, service and business that will contribute to our long-term sustainable growth, helping us to deliver the best student accommodation experience and provide continued support to our students, our Higher Education partners and the communities within which we operate.

THE MOST TRUSTED BRAND

We announced a £40m re-investment programme to help strengthen our market leading position and deliver our new purpose, Home for Success.

Read more on pages 18 – 19

Our Home for Success investment will transform our buildings, service and digital platforms, enabling us to provide a genuine home for students which helps them succeed at University.

This year we:

- Worked with 55 University partners to help them meet their accommodation needs
- Improved our service by extending our opening hours
- Recruited 100 housekeepers to support our free fortnightly kitchen cleaning
- Upgraded to a minimum 20MB Wi-Fi in all our properties, with the option for students to upgrade to 50MB
- Launched a new student website, and two student apps
- With our new visual identity won gold at the London Design Awards

Our investment has been well received, and this year we filled more rooms than ever, with 99% of beds let, and delivered 3.3% rental growth.

Our customer satisfaction is at an all-time high, and we continued to strengthen our relationships with Universities, letting 50% of our rooms through nomination agreements.

Callice Court, Coventry

99%

BEDS LET


Stratford ONE, London


Saw Mill, Huddersfield

THE HIGHEST QUALITY PORTFOLIO

We opened three new modern purpose built properties, providing homes for 1,900 students and supporting University partners with their housing needs.

We fully secured our 2016 development pipeline, acquiring four sites for delivery in 2017 and obtaining planning permission on four new developments.

Read more on pages 20 and 21

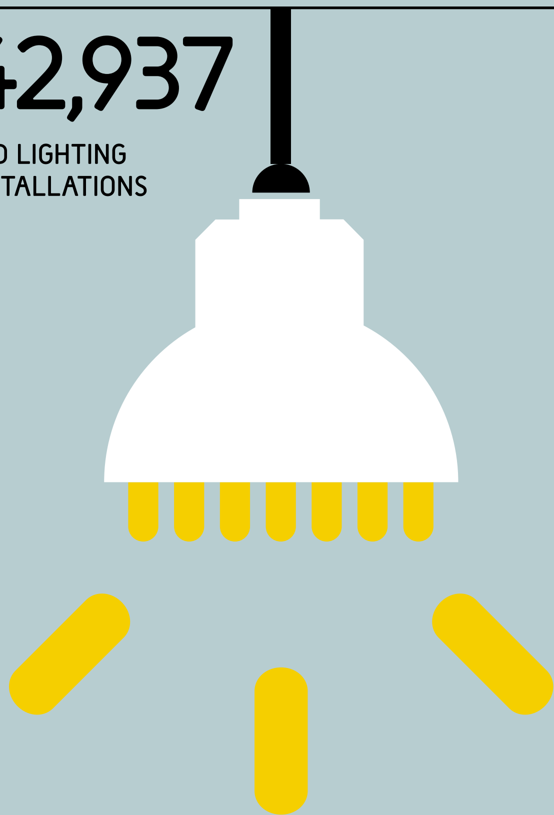
The Unite UK Student Accommodation Fund (USAF) acquired a 3,000 bed portfolio from Cordea Savills Student Hall Fund enhancing the quality of our portfolio.

Read more on page 23

In 2014, we refurbished 25 receptions and common areas and installed LED lighting in 31 properties, bringing Home for Success to life, with the rest of the estate planned for 2015 and 2016. We created more communal areas and provided more spaces for students to relax and socialise in.

42,937

LED LIGHTING INSTALLATIONS




St Pancras, London

THE STRONGEST CAPITAL STRUCTURE

In 2014 we delivered our best financial results, with recurring profits up over 44%, and we increased our final dividend payout by 133%.

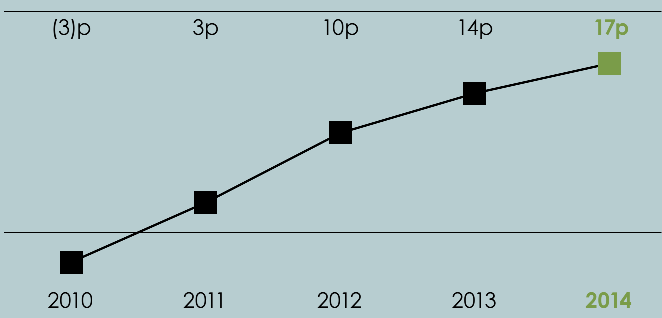
We achieved rental growth of 3.3% in the year enhancing our earnings and NAV.

We attracted new capital into the business by:

- Raising £96m in a share placing and open offer, the proceeds of which are being used to further our regional development programme
- Securing a new £124 million 10 year debt facility with Cornerstone Real Estate Advisers Europe LLP, helping us extend debt maturities, reduce the cost of funding, diversify funding sources and introduce new lenders to the Group
- USAF successfully completed a £115m fundraising

EARNINGS PER SHARE

PENCE



133%

GROWTH IN DIVIDEND

3.3%

RENTAL GROWTH

THE LEADING STUDENT ACCOMMODATION PROVIDER

Currently we operate across the UK in 25 cities, with our top ten markets making up 71% of our total beds. On a see-through basis, 45% of our capital is invested in London.

The tables below show the top ten cities in which we operate and our top ten properties by value. All the towns and cities Unite operate in are highlighted with red circles on the map, the number in the circle correlates to its position as one of our top ten cities. The map also highlights the location of our top ten properties by value, and provides a little more insight into bed numbers and what the property has to offer students.

At the bottom of the page you can see our development pipeline until 2017; once complete it will bring 6,720 beds to the market. You can read more in our property review on pages 33 – 36.

TOP TEN CITIES IN WHICH WE OPERATE

2014 rank	City	Completed beds	FT student numbers	Projected market share
1	London	7,378	282,648	2.6%
2	Sheffield	3,728	46,889	8.0%
3	Liverpool	3,398	37,613	9.0%
4	Leeds	3,215	49,779	6.5%
5	Bristol	2,998	38,492	7.8%
6	Birmingham	2,422	56,391	4.3%
7	Manchester	2,337	58,105	4.0%
8	Glasgow	2,155	50,413	4.3%
9	Leicester	1,685	29,292	5.8%
10	Portsmouth	1,402	18,720	7.5%
		30,718	668,342	4.6%
Proportion of Unite portfolio		71%		

TOP TEN PROPERTIES BY VALUE

Rank	Property	City	Beds
1	Moonraker Point	London	674
2	Stratford ONE	London	1,001
3	Woburn Place	London	462
4	The Plaza	Leeds	1,497
5	St Pancras Way	London	571
6	Grand Central	Liverpool	1,236
7	Emily Bowes Court	London	694
8	The Forge	Sheffield	1,378
9	Parkway Gate	Manchester	729
10	North Lodge	London	528

3

Woburn Place, London
Beds: 462 (LSAV)
Woburn Place is ideally located adjacent to three University campuses and at the heart of student life in central London.

7

Emily Bowes Court, London
Beds: 694 (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.

10

North Lodge, London
Beds: 528 (LSAV)
Located next to Emily Bowes and just over the road from Tottenham Hale Retail Park, North Lodge has excellent transport links to central London. All rooms include en-suite bathrooms and a study area with a shared kitchen/lounge.

OUR DEVELOPMENT PIPELINE

SEPTEMBER 2015 COMPLETION

Trenchard Street, Bristol, (Wholly owned)
483 beds

Angel Lane, London (LSAV)
759 beds

SEPTEMBER 2016 COMPLETION

Greetham Street, Portsmouth (Wholly owned)
836 beds

Causewayend, Aberdeen (Wholly owned)
399 beds

Far Gosford Street, Coventry (Wholly owned)
270 beds

Stapleton House, London (LSAV)
862 beds

Wembley Park, London (LSAV)
699 beds

5

St Pancras Way, London
Beds: 571 (Wholly owned)
St Pancras Way is a new property a short walk from King's Cross and St Pancras. The building provides a home for 571 UCL students.

9

Parkway Gate, Manchester
Beds: 729 (Wholly owned)
Our architectural flagship building in the centre of Manchester is ideally located for the two main Universities in the city.

4

The Plaza, Leeds
Beds: 1,497 (USAF)
Completed in two phases, the property is convenient for both Universities in Leeds and the property offers a range of en-suite rooms in three to six bedroom flats.

2

Stratford ONE, London
Beds: 1,001 (Wholly owned)
This 28 floor property is Unite's largest property in London with panoramic views across London and the Olympic Park.

8

The Forge, Sheffield
Beds: 1,378 (Wholly owned)
Campus-style living within a city centre environment that includes retail facilities let to Sainsbury's and Wilkinsons.

6

Grand Central, Liverpool
Beds: 1,236 (USAF)
The largest, most centrally located student residence in Liverpool, ideally located for Lime Street station, the city centre and Liverpool's Universities.

1

Moonraker Point, London
Beds: 674 (Wholly owned)
Moonraker Point offers 147 studios and 527 rooms in cluster flats. Situated in Zone 1 and close to shops and local amenities, Moonraker Point provides a home for King's College, London students.

SEPTEMBER 2017 COMPLETION

Newgate Street, Newcastle (Wholly owned)
606 beds

St Leonards, Edinburgh (Wholly owned)
550 beds

Tara House, Liverpool (Wholly owned)
598 beds

Constitution Street, Aberdeen (Wholly owned)
658 beds

A STRONG FOUNDATION

2014 WAS ANOTHER STRONG YEAR FOR THE GROUP, CONTINUING THE EXCELLENT MOMENTUM OF RECENT YEARS WITH FURTHER IMPROVEMENTS IN ALL KEY PERFORMANCE MEASURES.

PHIL WHITE
Chairman

2014 was another strong year for the Group, continuing the excellent momentum of recent years with further improvements in all key performance measures. This strong performance reflects the high quality of our portfolio, the increasing power of our brand and operating platform and the strength of our capital structure. The positive strategic steps we have taken over the past few years in each of these areas have allowed us to take full advantage of a supportive environment in the student accommodation sector.

The rate of progress in the business has been encouraging. During 2014, we launched Home for Success and saw customer satisfaction again rise to its highest ever level. Our Property team oversaw £102 million of development activity, £137 million of acquisitions and £268 million of asset disposals; and we simplified and strengthened our capital base by exiting or merging joint ventures and successfully raising new equity, both on balance sheet and in our multi-investor fund, USAF.

The wider student accommodation market remains encouraging. Record numbers of students started at University for the 2014/15 academic year (512,000, a rise of 4% year on year) and this helped drive like-for-like rental growth of 3.3% and 99% occupancy across the estate. Reservations for the 2015/16 academic year have commenced in a similarly positive vein.

We are committed to a culture of good governance and recognise that it is essential to protecting shareholder value.

Read more on pages 44 – 84

The investment market has also proved to be strong with an increasing number and range of investors seeking exposure to the sector. This contributed to a modest 20bps of yield compression in 2014, 15bps excluding the effect of portfolio mix changes, and sustained interest in this asset class suggests there is likely to be further inward movement in 2015.

Looking forward, we continue to have excellent visibility of sustained earnings growth for the next few years. This is driven by prospective like-for-like revenue increases underpinned by positive market fundamentals, the delivery of a highly accretive development pipeline and excellent operating leverage meaning that a high proportion of growth in net operating income flows through to profit. We are mindful of the risks posed by a recovering UK economy, namely rising interest rates and potential build cost inflation, as well as the uncertainty surrounding the upcoming General Election, but continue to look forward with confidence.

PHIL WHITE
Chairman
23 February 2015

CREATING LONG-TERM VALUE

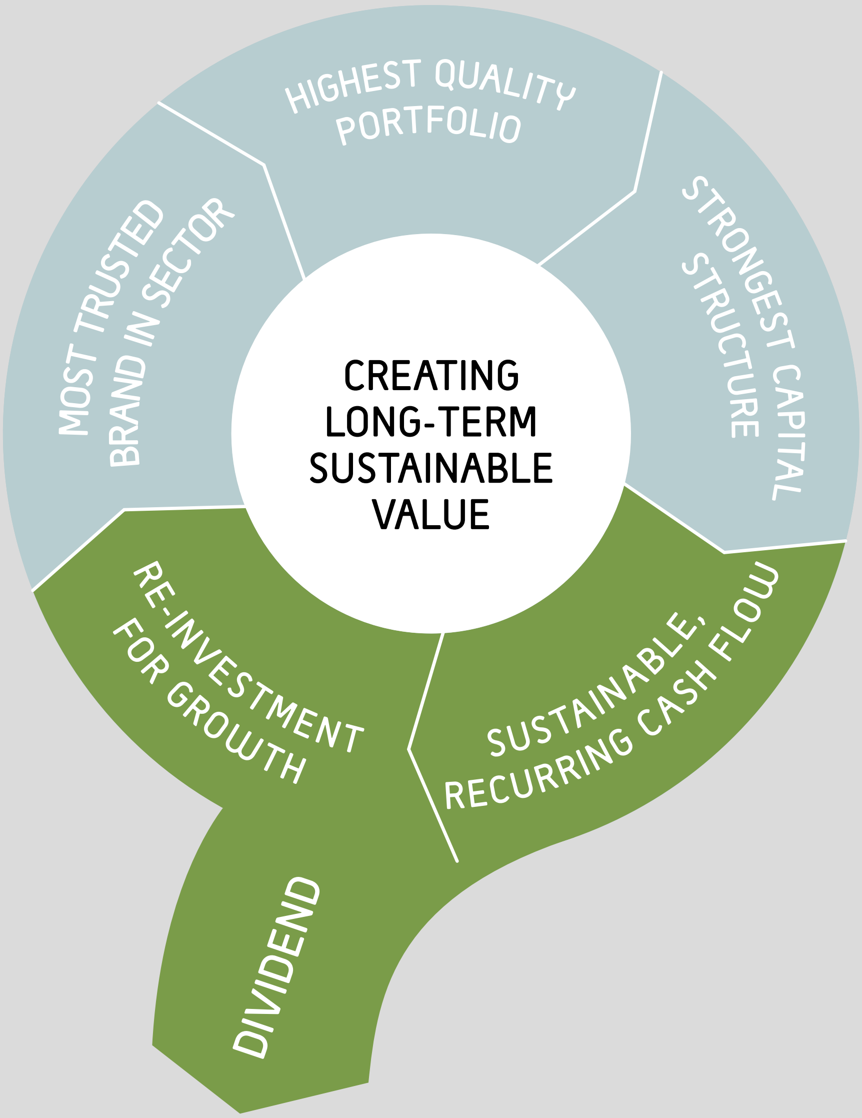
Our focused business model seeks to deliver low double digit total returns and sustainable, growing cash flows by being the most trusted brand in the sector, having the highest quality portfolio and maintaining the strongest capital structure in our sector. Delivering great customer service and building strong relationships with our University partners, the communities in which we operate, our customers and employees is crucial to our success.

We have a customer-focused approach and work closely with our Higher Education partners to provide a seamless service to their students, tailoring our service to meet their needs.

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 their community.



ACTING RESPONSIBLY

We recognise that all businesses have a duty to manage their operations in a way that has a positive effect on all stakeholders; we take this responsibility very seriously. We bring people together, building strong relationships with our local communities, charities, businesses, Universities and the 43,000 students who make Unite their home, creating additional value for wider society.

Read more on page 40

In addition to the work of the Unite Foundation (page 4) we support three charitable organisations which align with our purpose Home for Success, and in 2014 we agreed a national partnership with Cancer Research UK, giving students the opportunity to donate unwanted goods through collection bins in our properties. Read more about our charity partners in our Corporate Responsibility and Sustainability (CR&S) report, www.unite-group.co.uk/CRS.

STRENGTH THROUGH STRATEGY

During 2014, we continued to deliver the clear, consistent strategy that has underpinned Unite's strong performance in recent years:

- To grow recurring profits and cash flow through a combination of rental growth, new openings and cost savings, while building an increasingly strong brand
- To enhance our portfolio quality through a programme of highly selective developments, focusing on London and strong regional locations, also through the disposal of non-core assets
- To strengthen the Group's capital base

By maintaining the most trusted brand in the student accommodation sector, the highest quality portfolio and the strongest capital structure, we are delivering sustainable, growing, recurring cash flows and increasing the value of our business each year. Two thirds of our recurring cash flow is distributed to shareholders as dividends, and the remainder is re-invested into the business to promote sustainable growth. This year, we made good progress on all fronts.

OUR STRATEGIC PLAN

STRATEGIC PRIORITY	PERFORMANCE	FUTURE OUTLOOK
Most Trusted Brand In 2014 we announced a two year £40m re-investment programme to strengthen our market leading position. Our investment in our brand will help us deliver further service improvements and operational efficiencies. We also continued to invest in our people providing clear career progression and accredited training for all levels. We committed £8.5 million in funding for the next five years to the Unite Foundation Read more on page 18	• We installed LED lighting in 31 properties and refurbished 25 reception and common areas, improving the physical space for staff and students • We upgraded Wi-Fi to a minimum 20MB and launched our new student website and our exclusive app 'World of Unite' • We recruited 100 additional house-keepers to provide free fortnightly kitchen cleans • Our service satisfaction increased to its highest ever level	These investments will provide the foundation from which we will continue to build our brand in 2015. We will continue to invest in our digital platforms and our people and place an increased focus on the link between accommodation and success at University. We are establishing a small operational presence in Beijing for our Chinese customers. We will look to maintain our highest ever occupancy and build on the record customer satisfaction achieved in 2014.
Highest Quality Portfolio Throughout 2014 we made good progress improving the quality of our portfolio through proactive asset management, disposing of further non-core assets, and we made significant progress delivering and securing our regional development programme. Read more on page 20	• We completed three properties on time and to budget for 2014/15 academic year • We now have seven sites in strong regional locations and obtained planning consent on four developments • We sold our remaining non-core assets and exited our OCB joint venture through the sale of its portfolio using the funds to increase our stake in USAF to 50% and merging UCC and LSAV	We see further development opportunities in strong regional locations over the next 12–18 months, particularly in light of encouraging demand outlook for student accommodation and the removal of the student number cap (see Market overview on page 16). London remains an appealing location for new development and we will continue to monitor the market closely to establish when development becomes feasible again.
Strongest Capital Structure We made substantial progress with our financing activity during 2014. We reduced our joint ventures from four to two, raised new capital into both Unite and USAF, introduced new lenders to the Group and completed our refinancing activity. Read more on page 22	• In March we raised £96 million in a share placing and open offer to further our regional development and completed a £115 million fundraising through USAF • We secured a £124 million 10 year debt facility with Cornerstone Real Estate Advisers Europe LLP • We delivered our EPS yield target a year ahead of plan and increased dividend by 133%	During 2015, we will continue to strengthen the Group capital base and deliver sustainable, growing recurring cash flows. Our focus is on maintaining the strongest capital structure and delivering attractive returns to our shareholders.

Key performance Indicators (KPIs)
Read more on page 24

Key risks to manage
Read more on page 27

Directors' Remuneration Report
Read more on page 72

CHIEF EXECUTIVE'S STATEMENT

BUILDING MOMENTUM

WITH RECURRING PROFITS UP OVER 40% AND A HIGHLY VISIBLE GROWTH TRAJECTORY FROM HERE, WE ARE PLEASED TO ANNOUNCE A STEP CHANGE IN OUR DIVIDEND TO A 65% PAYOUT RATIO.

MARK ALLAN
Chief Executive Officer

Throughout 2014 we continued to deliver the clear, consistent strategy that has underpinned performance since 2010. This strategy is based on three core objectives and is designed to deliver sustainable growth in recurring profit and cash flow for the long term. Our three core objectives are:

- To build the most trusted brand in our sector
- To operate the highest quality portfolio in our sector
- To have the strongest capital structure in our sector

We continued to make good progress on all fronts and this is reflected in our key financial indicators:

FINANCIAL HIGHLIGHTS

	2014	2013
EPRA earnings (recurring)	**£33.3m**	£23.1m
EPRA EPS (recurring)	**17.2p**	13.6p
EPRA NAV per share	**434p**	382p
Dividend per share	**11.2p**	4.8p
Total return on NAV	**15.0%**	10.5%
See-through LTV ratio	**43%**	49%
Operations cash flow	**£35.0m**	£23.2m

We achieved our strategic target of a 4.5% EPRA EPS yield on NAV during 2014, a year ahead of plan

The business has now delivered an average total return on equity (NAV growth plus dividends) of 11.1% over the past five years, in line with our stated objective of delivering low double digit, balanced total returns. Yields have compressed by 40bps (6%) over that five-year period (portfolio average now 6.3%) and the vast majority of the total return therefore reflects internal value creation.

EPRA earnings now account for 30% of returns, compared with 9% in 2010, and we achieved our strategic target of a 4.5% EPRA EPS yield on NAV during 2014, a year ahead of plan. Dividends for the full year are 11.2 pence per share, representing an increased payout ratio of 65% of EPRA EPS, and are 1.6 times covered by operations cash flow.

COMPONENTS OF TOTAL RETURN

	2014	2013	2012	2011	2010
EPRA EPS yield	**4.5%**	3.9%	3.1%	0.9%	1.0%
Capital growth	**6.0%**	4.4%	5.4%	4.9%	6.6%
Development profits	**4.5%**	4.1%	4.6%	6.9%	6.4%
Other*	**–**	(1.9)%	(2.3)%	(4.7)%	(2.7)%
Total return	**15.0%**	10.5%	10.8%	8.0%	11.3%

* Other factors over the five-year period comprise one-off items such as swap close outs, UCC performance fee, share placings and UMS costs.

Looking forward, rental inflation and development activity are likely to remain the primary drivers of capital growth, although the high level of investor interest in the sector at the present time suggests that yield compression is also likely to feature during 2015.

BUILDING THE MOST TRUSTED BRAND IN OUR SECTOR

In April, we launched Home for Success, capturing the Group's core purpose which is to provide environments that help students succeed during their time at University, and placing this at the heart of our brand identity. This has driven a series of investments into our core product and service offering, both physical and digital, which commenced during 2014 and will continue throughout 2015 and beyond. Above all, however, Home for Success reflects the desire of our employees to contribute positively to the experiences of students living with us. 2014 has been another strong year across the business and I would like to thank all of our employees and congratulate them on their achievements.

Home for Success has been launched at a time when students are becoming ever more demanding consumers. At the same time, Universities are increasingly looking for long-term partners from the private sector in a range of areas and we believe our competitors will struggle to respond quickly; either because of a lack of sufficient scale, financial issues or because they are concerned with securing and integrating acquisitions. We believe this will result in enhanced competitive advantage for Unite.

As evidence of this, during 2014 our service satisfaction levels again increased to their highest ever levels, partly reflecting the launch of Home for Success. We also secured excellent results in our independently assessed employee effectiveness and University trust scores. This translated not only into progress against our trusted brand objective but also stronger financial performance; net operating income (NOI) margins increased to 72.5%, we achieved our strategic target of a 4.5% EPS yield on NAV a year ahead of plan and reservations for 2015/16 are at 65% (62% at the same point in 2014).

Home for Success reflects the desire of our employees to contribute positively to the experiences of students living with us

OPERATING THE HIGHEST QUALITY PORTFOLIO IN OUR SECTOR

During 2014, we continued to actively manage our portfolio, seeking both to increase the size of our estate and continue to enhance quality through a combination of new developments, upgrade and refurbishment activity, acquisitions and asset sales.

Our operational portfolio increased in size to 43,000 beds, from 41,000 beds at the start of the year, following the successful completion of our 2014 development pipeline (1,900 beds), the acquisition by USAF of a high quality regional portfolio (3,000 beds) and £268 million of asset sales (2,000 beds). Our secured development pipeline, which will contribute meaningful upside to future earnings and NAV as projects are completed, grew to 6,720 beds having secured new development projects in strong locations such as Aberdeen, Newcastle and Edinburgh. On a see-through basis, our property portfolio grew 19% to £1,624 million during 2014 with 45% of the investment portfolio in London.

Our focus for securing new development sites during 2014 was on strong regional locations, where we can achieve the right balance of an appropriate return on capital and affordable rents for students. This proved a successful strategy and the £137 million acquisition by USAF of the Cordea Savills Student Hall Fund portfolio demonstrated that opportunities still exist to add value through the acquisition of operational assets with asset management potential. London remains an attractive, albeit expensive, market and although as expected we did not add any new development projects to our existing secured London pipeline, we are keeping the market under careful review to determine when conditions might support further development. Strong regional University cities continue to represent an excellent opportunity to secure new development sites and we expect to add further sites to our pipeline throughout 2015.

Disposal activity in 2014 focused on selling a small number of remaining non-core legacy assets and exiting our OCB joint venture through the sale of its portfolio. Sales totalled £268 million in the year (Unite share: £108 million), representing 9% of the investment portfolio. The proceeds were used to repay borrowings as well as fund new development and, in the case of the Oasis Capital (OCB) sale, increase our stake in our London Student Accommodation Joint Venture (LSAV). Portfolio recycling remains an important part of our strategy and we expect to sell a further £70 million to £100 million (Unite share) during 2015 which will fund further development activity.

MAINTAINING THE STRONGEST CAPITAL STRUCTURE IN OUR SECTOR

Net debt grew by £31 million (4.7%) to £697 million on a see-through basis during 2014 despite a significant capital expenditure programme of £140 million (Unite share) across development activity, acquisitions and refurbishment and upgrade spend. Besides the small increase in net debt, this investment was funded by asset disposals, retained profits and new equity. Loan-to-value ratio fell from 49% to 43% across the course of the year, again on a see-through basis, as the value of our property portfolio grew more rapidly than the level of our borrowings. We continue to target a 40% loan to value ratio over time.

In March, we raised £96 million of equity via a share placing and open offer. Approximately half of the proceeds were invested in acquiring new USAF units, with USAF subsequently using the proceeds to part-fund the acquisition of the Cordea Savills Student Hall Fund portfolio, and the remainder has been fully allocated to new development projects as we expanded our highly accretive regional development programme.

Our average cost of debt remains at 4.7% for an average unexpired term of seven years (2013: 4.7% and seven years respectively) and this continues to be meaningfully accretive to the ungeared returns of our investment portfolio (6.3%) and the average yield on cost for our development pipeline (9.3%). We will continue to take advantage of opportunities to lock in low interest rates where appropriate during 2015.

As well as strengthening our capital structure further during 2014 we also simplified it by exiting our OCB joint venture, using our share of the sale proceeds to increase our stake in Unite Capital Cities (UCC) to 50% and then merging UCC into LSAV, our other 50% joint venture with GIC. As a result, we have reduced the number of co-investment vehicles from four to two (USAF and LSAV), both of which are core, long-term investments for us and complementary to our own balance sheet and strategy.

As well as further strengthening our capital structure during 2014 we also simplified it by exiting our OCB joint venture

OUTLOOK

The outlook for the student accommodation sector remains positive. The student intake for 2014/15 was the highest ever and is likely to increase again in 2015/16 with the removal of the student number cap, while the supply of new accommodation is still struggling to keep pace with this growing demand. Universities for the most part remain capital constrained and the majority of new investment targeting the private sector is acquiring operational assets rather than adding new capacity. Demand/supply dynamics remain favourable.

The removal of the student number cap is likely to have a significant impact, although not all Universities will increase enrolments materially as a result; the highest ranked institutions have effectively been operating in an uncapped market for some time while for lower ranked Universities the risk of losing market share is heightened. Middle ranked Universities are arguably best placed to benefit.

The volume of capital targeting investment in the sector is significant, both in terms of the absolute amount and the range of investors involved. There are a number of major portfolio sales likely to conclude during the first half of 2015 and we expect yield compression to feature more prominently as a component of returns in the year ahead.

The recovering UK economy presents some risks, most significantly the prospect of rising interest rates and build cost inflation, but we are managing the business in a disciplined way to ensure we can deal with these risks as and when they arise. The upcoming UK General Election inevitably generates some uncertainty, but Higher Education is an area where the main political parties are each supportive from a policy perspective.

In this context we believe Unite remains well positioned to benefit from the strong market dynamics in the years ahead. We have a high quality portfolio with excellent rental growth prospects, an increasingly strong brand, a scalable operating platform which affords us excellent operating leverage, a very strong development pipeline delivering high returns and a strong capital base which has locked in long-term, low interest rates. Taken together these characteristics provide a highly visible growth trajectory for recurring profits, cash flow and dividends in the years ahead.

Our 2014 strategic report, from page 1 to page 41 has been reviewed and approved by the Board of Directors on 23 February 2015.

MARK ALLAN
Chief Executive Officer
23 February 2015

THE LEADING PLAYER IN A GROWING MARKET

MARKET HIGHLIGHTS

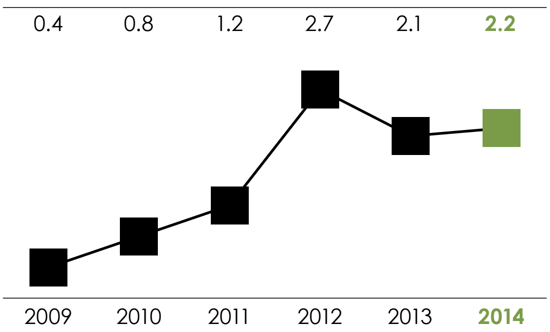
- Highest ever student intake in 2014/15 with 512,000 students accepting places
- Applications exceeded acceptances by 180,000
- Removal of student number control cap in 2015 will see student intake increase
- Supply of new student accommodation over next three years likely to be less than the growth in student numbers

AFTER A FURTHER £2.2 BILLION OF TRANSACTION IN 2014, UP FROM £2.1 BILLION IN 2013, THERE ARE NOW THREE MAJOR PORTFOLIOS OF ACCOMMODATION ON THE MARKET AND EXPECTED TO BE SOLD IN 2015.

Read more on page 34

STUDENT TRANSACTIONS

£ BILLIONS



We are forecasting rental growth of at least 3% for 2015/16 following the removal of the student number cap

OUTLOOK

We expect demand for UK Higher Education to remain strong, both from domestic and international students. Unite has concentrated its activities near stronger Universities and these Universities are well placed to benefit from the greater level of market forces in the sector and we expect all strong University towns and cities to experience sustained growth.

As a result of the favourable supply/demand factors we continue to believe that the rental growth outlook will remain positive for some time. We are forecasting rental growth of at least 3% for 2015/16 following the removal of the student number cap.

New competitors have entered the sector over the past two to three years primarily through the acquisition of existing portfolios. These new entrants have introduced new capital to the sector but there has not yet been any fundamental shift in competitive dynamics in the markets in which we operate. We anticipate that there will be a period of time whilst these new entrants establish and embed themselves and their operating models.

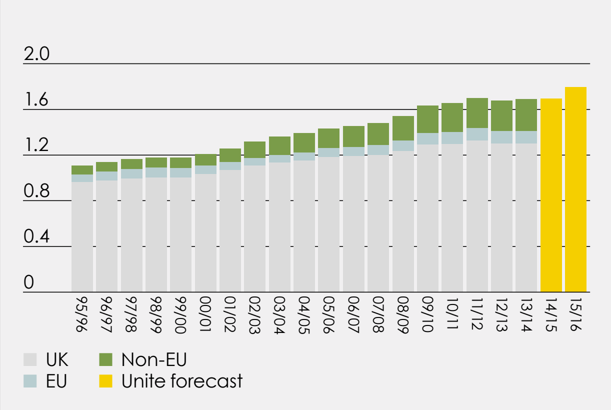
The level of new development activity in London has slowed considerably due to the strength of the real estate market and potential returns from other development uses. We expect around 32,000 new beds to be delivered over the next three years. Increasing land and build costs will put pressure on development returns beyond this time horizon.

Whilst the outcome of the General Election in May 2015 could lead to some changes in Higher Education policy, the three major political parties are supporters of Higher Education, and are encouraging further growth in the sector. A change in government could lead to a period of uncertainty for Higher Education, but we believe that it will not change the general trend of growing student numbers in the medium term.

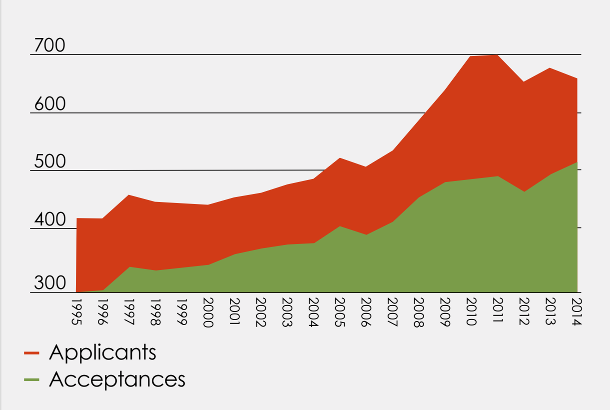
92% OF UNIVERSITY APPLICANTS WHO PLAN TO LIVE AWAY FROM HOME HOPE TO LIVE IN HALLS.

Unite Students Student Experience Survey; Students Matter 2014

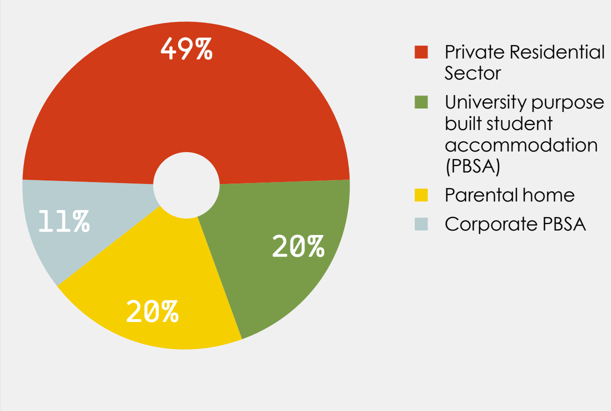
FULL TIME STUDENT NUMBERS
MILLIONS



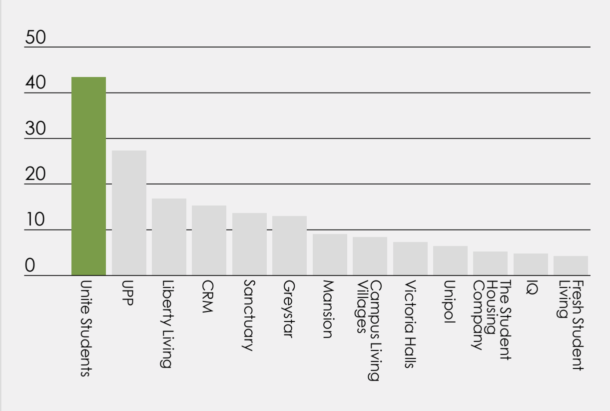
APPLICANTS AND ACCEPTANCES
THOUSANDS



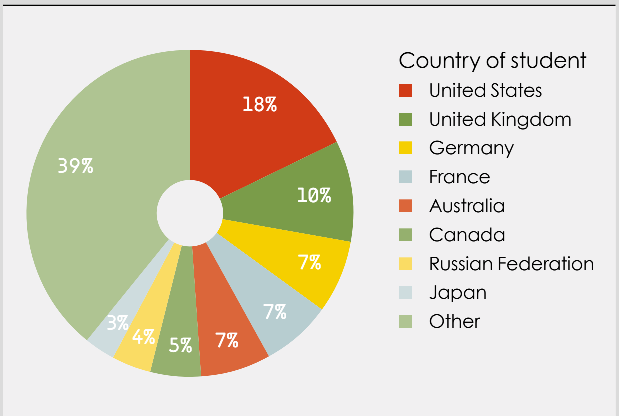
WHERE STUDENTS LIVE
%



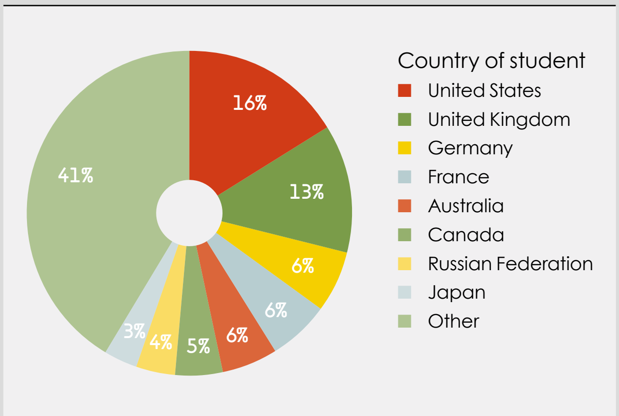
TOP OPERATORS
THOUSANDS



INTERNATIONAL STUDENT MOBILITY 2009
3.7 MILLION INTERNATIONAL STUDENTS



INTERNATIONAL STUDENT MOBILITY 2012
4.5 MILLION INTERNATIONAL STUDENTS



AS WELL AS BEING THE LARGEST PROVIDER OF PURPOSE BUILT STUDENT ACCOMMODATION IN THE UK WE ASPIRE TO REINFORCE OUR POSITION AS THE MOST TRUSTED BRAND IN THE SECTOR.

In 2014, living with Unite Students got even better with the announcement of our new purpose – Home for Success.

Home for Success is a £40 million two year investment into our business that will enable us to provide students with a home that helps them achieve more from their time at University, whether defined as academic achievement, personal growth or employability.

We are channelling our investment into four key areas of the business; physical, digital, service and people. The investment will bring tangible benefits to our students, and reflects the desire of our employees to make a positive contribution to students' time at University.

THE MOST TRUSTED BRAND IN THE SECTOR

HOME FOR SUCCESS

The **physical** condition of our buildings has been improved through our more youthful visual identity. The design won gold in the Brand Design category at the London Design Awards. This visual identity has been implemented at all of our properties.

We installed LED lighting in 31 properties, improving students' experience and reducing our carbon footprint and operating costs. We refreshed 25 reception and common rooms with our new look and feel. The remaining properties will be completed in the next 18 months.

As part of our improvements to **service** we introduced free fortnightly cleaning in all kitchens and living areas in our shared flats.

Students ranked cleanliness as one of the top three most important considerations when choosing somewhere to live in our 2014 student experience survey, Students Matter.

51,100

KITCHENS CLEANED IN 2014

We made significant investment in our **digital** offering:

- Upgrading to a minimum high speed 20MB Wi-Fi in all our properties
- Launching our new student website, providing an improved user experience and adding Chinese language content
- Launching World of Unite, our exclusive app helping students meet new friends and build connections before they arrive

We are also investing in our **people**, introducing a range of flexible benefits and new development programmes in 2015, and we have signed up to the Living Wage.

Our Home for Success plans were tested and validated by our 900 strong student panel. This work is ongoing and we will continue to invest in our business to ensure that we continue to have the most trusted brand in the sector.

The Tannery, Leeds

72% OF STUDENTS BELIEVE THAT ACCOMMODATION AFFECTS THEIR SUCCESS WHILST AT UNIVERSITY.

Source: Unite Students Student Experience Survey; Students Matter 2014

We pride ourselves on maintaining the highest quality portfolio, from sourcing the best development opportunities in the strongest locations, to carefully managing our existing estate. We regularly review the quality of our existing properties to ensure they are operationally efficient and continue to provide the best accommodation for students.

This year we recycled 9% of our total portfolio and used the proceeds to fund new development and reduce borrowings.

HIGHEST QUALITY PORTFOLIO

PLANNING SECURED IN 2014

399 BEDS

CAUSEWAYEND, ABERDEEN

Unite has operated in Aberdeen since 2001 and currently provides a home for 1,300 students across four properties, all in great central locations providing easy access to The University of Aberdeen and Robert Gordon University.

Our new development site at Causewayend was acquired from Aberdeen City Council. The 399 bed scheme will include the refurbishment of a redundant Grade C listed school building as part of the design, bringing an old building back to life.

In November, planning was granted by officers under a delegated decision. With most schemes of this scale having to be heard at committee for approval, a sole officer's recommendation highlights the confidence Aberdeen has in Unite. This confidence is based on Unite's ability to deliver the development with the reuse of the existing historical buildings, and to continue to support the Universities in the city.

Work is due to commence in March 2015 with completion in time for the 2016/17 academic year.

In 2014 Unite was granted planning for 2,796 beds across four sites.

862 BEDS

STAPLETON HOUSE, LONDON

836 BEDS

GREETHAM STREET, PORTSMOUTH

699 BEDS

OLYMPIC WAY, LONDON

Emily Bowes Court, London

STRONGEST CAPITAL STRUCTURE

THIS YEAR WE MADE MEANINGFUL PROGRESS SIMPLIFYING OUR CAPITAL STRUCTURE, REDUCING OUR NUMBER OF JOINT VENTURES FROM FOUR TO TWO.

During 2014, we raised new capital into both Unite and USAF to fund growth into strong regional markets and completed our refinancing activity.

The sale of our OCB joint venture assets helped accelerate the merger of UCC and LSAV. We used the funds from the sale to increase our holding in USAF to 50% and in December, merged UCC with LSAV. This allowed us to deliver our plan to simplify our co-investment vehicles.

USAF RAISED CAPITAL AND ACQUIRED PORTFOLIO

In March, USAF successfully completed a £115 million fundraising. These proceeds were used to reduce leverage and acquire a portfolio of nine regional assets from the Cordea Savills Student Hall Fund.

The portfolio of 3,000 beds was acquired for £137 million and adds to Unite's existing presence in strong regional locations, with properties located in Bath, Birmingham, Bradford, Bristol, Edinburgh, Leeds, Loughborough, Portsmouth and Preston. Unite currently manages the properties in Bath and Portsmouth under leases offering us the potential to enhance returns as these contracts are re-negotiated.

The acquisition increased USAF's property portfolio value by 10% and the fund now comprises 24,820 beds in 68 properties across 22 UK towns and cities.

USAF is Europe's largest non-listed real estate fund focusing purely on student accommodation investment assets. The £1.6 billion fund is an open-ended infinite life vehicle and Unite has a 22% stake.

3,000 BEDS,
ACROSS 9 PROPERTIES, IN 9 LOCATIONS FOR £137 MILLION

St Pancras Way, London

STRATEGIC REPORT

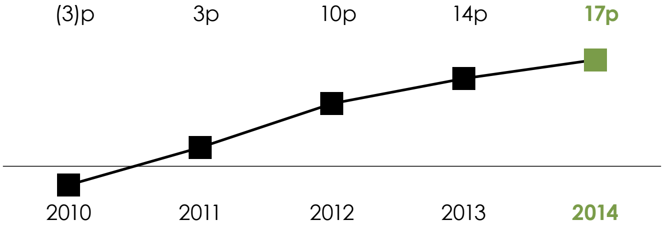
KEY PERFORMANCE INDICATORS (KPIs)

DELIVERING SHAREHOLDER VALUE

Our KPIs have been selected to provide a balance between financial and operational targets. They comprise the key metrics that we focus on to run our business.

FINANCIAL KPIs

EARNINGS PER SHARE
PENCE



MEASURE

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

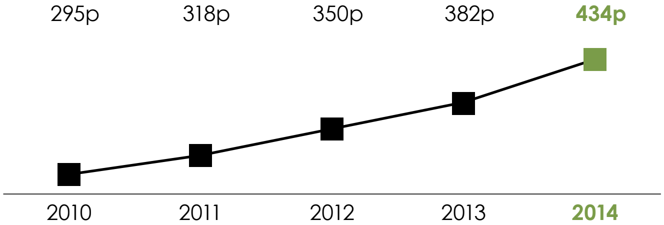
COMMENTS

Consistent improvement in performance has been driven by high levels of occupancy, rental growth, cost control and enhancements to our portfolio. The strong growth in EPS underpins our strategic priorities to be the most trusted brand and establish the strongest capital structure.

TARGET

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

NET ASSET VALUE
PENCE PER SHARE



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.

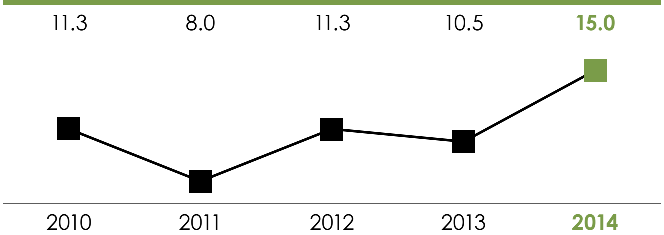
COMMENTS

Consistent NAV growth has been delivered through rental growth, development profits and retained earnings. Our sustainable growth in NAV reflects the implementation of the business model and our strategic priority to build the highest quality portfolio.

TARGET

Well placed to continue delivering strong balanced returns, contributing to a low double digit total return.

TOTAL RETURN
%



MEASURE

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

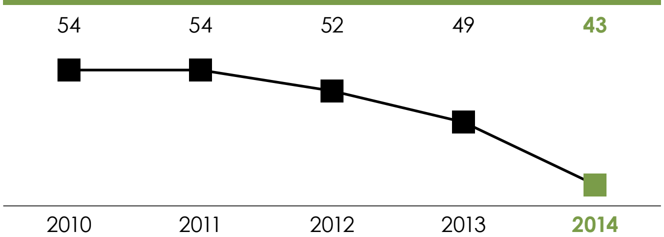
COMMENTS

Total return has averaged over 11% in the last five years, driven by the growth in recurring earnings, NAV growth and dividends. 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 low double digit total returns.

LOAN TO VALUE RATIO
%



MEASURE

Our ratio of net debt to property values.

COMMENTS

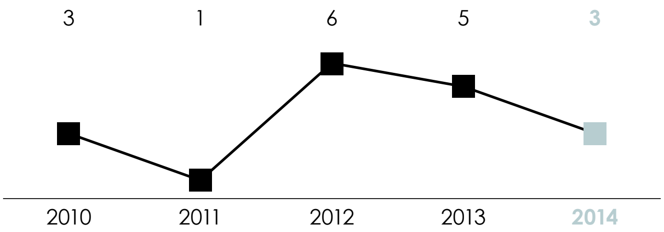
Continued to deliver reduction in LTV through ongoing focus on disposals and growing the value of the property portfolio. Our LTV reflects our strategy to build the strongest capital structure in the sector.

TARGET

To continue reducing LTV to 40% over time.

OPERATIONAL KPIs

SAFETY

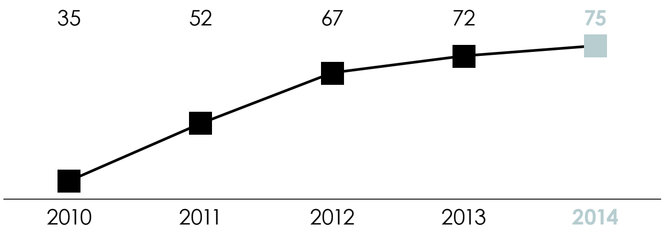


MEASURE
The number of reportable accidents in our operations business each year as a means of assessing our success in approaching health and safety.

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 be the most trusted brand in the sector.

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

CUSTOMER SATISFACTION

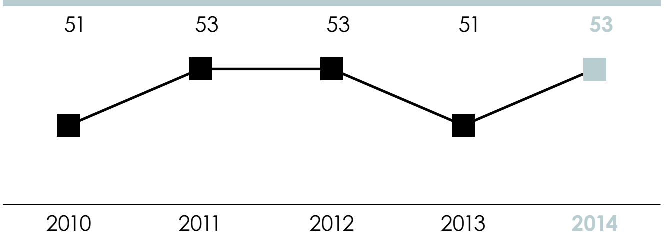


MEASURE
We undertake an independent survey with TNS twice a year to understand our relationship with our customers, the experience we provide and their likelihood to rebook and recommend Unite. Companies receive a score which is benchmarked against other companies across Europe.

COMMENTS
The improvement in customer satisfaction over the last few years reflects the drive to put our customers at the heart of everything we do and build on our strategic priority to be the most trusted brand in the sector. Our current score places us within the top 33% of service providers to private customers in Europe.

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

EMPLOYEE EFFECTIVENESS %

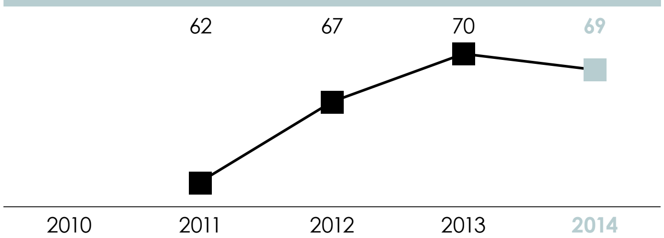


MEASURE
This year we have developed a sharper focus on employee needs and satisfaction, and as a result, we have introduced a new employee survey tool, run by Hay Group, called Employee Effectiveness. The new report examines factors beyond satisfaction, looking at both employee enablement and engagement. We have converted our five-year record to reflect the new scoring system and going forward 2014 will provide the benchmark for the Group.

COMMENTS
This year we achieved our highest ever survey participation rate. 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 (47%) and 1% behind the High Performing Industry Benchmark (54%) in our first year. Our ongoing focus to continue improving employee effectiveness will enable Unite to improve the management of the business model and deliver our strategic priorities.

TARGET
In 2015, we will focus on people development, reward and recognition, alongside line management and empowering teams in order to grow employee effectiveness as a core strength. We are targeting a 2% increase next year and a move into the High Performing Industry Benchmark.

HIGHER EDUCATION TRUST



MEASURE
Since 2011, we have undertaken annual qualitative research with our Higher Education partners to understand their perception of Unite and the degree to which we meet their needs and those of their students. This generates an annual 'trust score'.

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 become the most trusted brand in the sector. The overall score has fallen by one point and whilst our Higher Education partners welcomed the Home for Success announcement, we now need to deliver on our commitments for this to be reflected in our score.

TARGET
We aim to become the accommodation partner of choice for the Higher Education sector.

EMBEDDING A RISK MANAGEMENT CULTURE

At Unite Students, risk is assessed and managed as an intrinsic and fundamental part of our strategy. The Board, when setting our strategy and overseeing its implementation, determines the nature and extent of our significant risks as well as our risk appetite alongside our three strategic objectives. The Board also ensures sound risk management and internal control systems are in place commensurate with this risk.

The Board undertakes a formal risk review at least twice a year. This involves a thorough review of our material risks and serves as an opportunity to step back and consider any emerging risks.

The open and accountable culture of our organisation, set by the Board, leads to an open and accountable culture for risk management. The Property and Operations business units maintain 'risk trackers' which are owned and managed by one person from each unit. The trackers clearly identify specific business risks and their real and intelligible impact to our business. This risk tracking approach is embedded within Unite Students and leads to a focused, tactile and substantive approach to risk management.

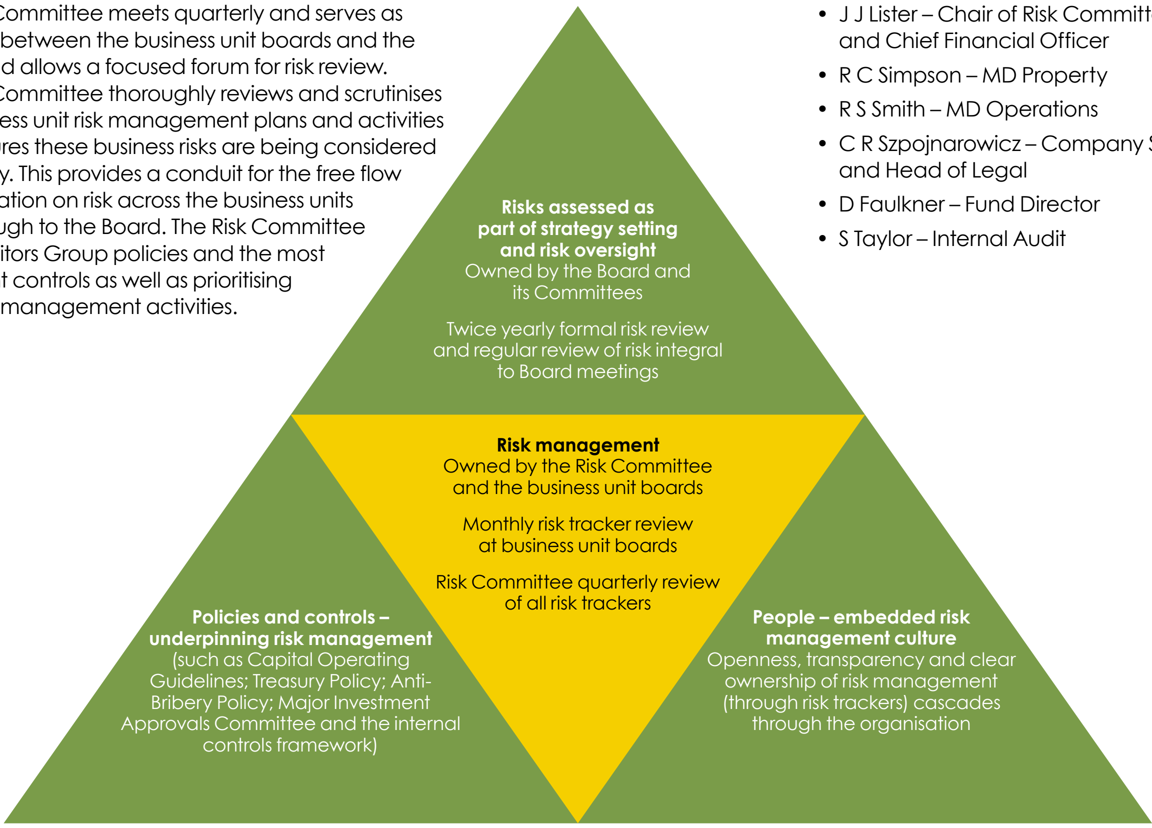
Strategic objective	Related risks
Most trusted brand in the sector	The health, safety, wellbeing and security of the 43,000 students who make Unite Students their home is the foundation to our reputation and continued focus on health and safety is key to building and maintaining this trust. In addition, the risk of customer demand reducing due to general market issues (such as changes in government policy on Higher Education funding and immigration, new entrants in the market or macro issues) underlines why developing the most trusted brand in the sector is critical for long-term success.
Highest quality portfolio	Maintain and improve our portfolio whilst navigating site selection, development and planning risks as well as disposal risks.
Strongest capital structure	Maintain a timely approach in extending debt maturities, reducing the cost of funding, diversifying our funding sources and introducing new lenders to the Group.

RISK COMMITTEE

The Risk Committee meets quarterly and serves as a bridge between the business unit boards and the Board and allows a focused forum for risk review. The Risk Committee thoroughly reviews and scrutinises the business unit risk management plans and activities and ensures these business risks are being considered holistically. This provides a conduit for the free flow of information on risk across the business units and through to the Board. The Risk Committee also monitors Group policies and the most important controls as well as prioritising other risk management activities.

COMPOSITION OF RISK COMMITTEE

- J J Lister – Chair of Risk Committee and Chief Financial Officer
- R C Simpson – MD Property
- R S Smith – MD Operations
- C R Szpojnarowicz – Company Secretary and Head of Legal
- D Faulkner – Fund Director
- S Taylor – Internal Audit



PRINCIPAL RISKS AND UNCERTAINTIES

Risk and impact	How we mitigate this risk	Change	What has happened during the year
Market risks			
Changes in government policy (such as Higher Education funding and immigration) may affect student numbers and behaviour. **May reduce demand and hence profitability and asset values.**	Ongoing monitoring of government policy and its impact on, and forecasts of, UK, EU and international student numbers studying in the UK whilst regularly reviewing our portfolio to ensure we have the highest quality portfolio appropriately sized and in the right locations.	→	Student numbers in the UK continue to recover strongly following the reduction in student numbers with the introduction of higher tuition fees in 2012. The 2014 intake at UK Universities was 512,000, a record level. This is likely to increase further following the removal of the student number cap in 2015. Read more on pages 16 – 17 At Unite Students, occupancy of 99% (2014/15) compared with 98% (2013/14) demonstrates this recovery in student numbers is translating into occupancy. Read more on page 31 In November 2014, tougher rules were imposed on Universities and Colleges sponsoring international students studying in the UK, although Higher Education partners are not reporting any reduction in demand from international students.
Significant volume of new entrants, both in London and regionally, may lead to more competition to attract students, increased investment in brand, property and new developments. **May result in price competition/ cutting in certain markets.**	We will continue with our strategy to focus on: • Markets with a supply/demand imbalance • Exposure to the best Universities • Investment in our brand and the student experience • Maintaining strong relationships with key Higher Education partners	↑	£2.2 billion of assets transacted during 2014 in the PBSA sector. In April 2014, we launched Home for Success, our core business purpose to provide an environment that helps students succeed during their time at University. As part of that, we announced a £40 million investment programme committing to a wide range of service improvements, systems and technology upgrades and a new look and feel for our properties. Read more on pages 18 – 19 With our focus on operating the highest quality portfolio and maintaining the strongest capital structure, we raised £96 million to accelerate our targeted regional development and increase our stake in USAF. During 2014, we incurred capital expenditure of £102 million and acquisitions of £33 million (Unite share) balanced with disposals of £108 million to third parties and £20 million to USAF (Unite share). Read more on pages 13 – 15

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Risk and impact	How we mitigate this risk	Change	What has happened during the year
Market risks continued			
Macro issues such as an EU referendum (leading to the UK leaving the EU), 2014 Scottish independence/subsequent devolution discussions and forthcoming 2015 General Election. **Departure from the EU may impact our EU student business.** **Uncertainty in our sector and the economy flowing from devolution discussions post-Scotland referendum coupled with impending 2015 General Election.**	Ongoing monitoring of these macro issues to ensure we are prepared for any changes.		The major constitutional issues around an independent Scotland have disappeared through the 'No' vote. At Unite Students, we continue to monitor EU referendum developments and possible Higher Education policy changes which may flow from the 2015 General Election and manage our portfolio and capital accordingly.
Property markets are cyclical and performance depends on general economic conditions. **Reduction in asset values reducing financial returns.**	Forecast rental growth and recurring profit offsets any yield movement. Clear and active asset management strategy.		Transactions in the market suggest student accommodation valuations should increase in 2015. We have been maximising portfolio value through a programme of refurbishments and extensions. Customer satisfaction is at highest ever levels supporting rental growth.
Change in patterns of study through the enhanced use of technology. **Reduced demand for student accommodation resulting in lower profitability.**	Our continued focus on the strongest Universities. Market knowledge and University relationships. UK Universities retain a global appeal. Continued growth of international student mobility.		Increased number of overseas students living with Unite Students. Operational platform supports more flexible tenancies. Read more on pages 30 – 32
Operational risks			
Major health and safety (H&S) incident in property, development site or office. **Reputational damage and impact to students living with us.**	H&S given direct Board supervision by the H&S Committee (a sub-committee of the Board) which actively supervises health and safety ensuring robust policies and procedures are in place and consistently complied with. H&S is also actively reviewed at the Operations and Property business unit boards, ensuring that it is regularly assessed and validated in our day to day operations.		H&S continues to be a primary focus and embedding an H&S culture supported by logical and intuitive – rather than bureaucratic – processes has developed throughout the organisation. During 2014, the strategic H&S priorities were identified as workplace safety, fire prevention and security with good progress in meeting all these priorities. Read more on page 60

Risk and impact	How we mitigate this risk	Change	What has happened during the year
Property development risks			
Failure or delay in obtaining planning or completing construction within budget and on time for the scheduled academic year. **Cost of aborted schemes and/or reduced financial returns with cash tied up. Impact on reputation with Universities and customers.**	Established planning expertise and careful site selection coupled with strong track record and focus on project delivery. Strong relationships with construction partners with appropriate risk sharing. 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, with a limited number of sites contracted not conditional on planning.	→	Skilled development team with strong track record. Strong relationships with planning authorities, particularly in London. Focus on pre-application discussions with authorities and relevant Higher Education institutions. We have secured planning for four of the seven new developments originating from the 2013 and 2014 capital raises. All 2014 schemes delivered on time and to budget and all other schemes continuing to run to budget and schedule (see page 35). Read more on our planning activity on page 21
Fund management			
Ability to deliver strategy of both the funds/joint ventures and the Group. **Loss of investor confidence and/or potential deadlock.**	Dedicated fund directors responsible for managing the performance of USAF and LSAV. Any potential conflicts are managed through Risk Committee. Quarterly meetings with investors.	↓	During 2014, we further aligned our interests with USAF/LSAV by increasing our stake in USAF to 22%, and LSAV to 50%. Reduced and streamlined our fund/ joint venture structures from four to two. Disposal of OCB joint venture investment and merger of our two GIC joint ventures (UCC merged into LSAV).
Financing			
Expiring debt facilities cannot be replaced or only at high cost. **Possible forced sale of assets potentially leading to sales below valuation. Slowdown of development activity. Reduced level of profitability.**	Proactively managing debt maturities to refinance these facilities at least six to twelve 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.	↓	As new facilities were arranged in 2013 and 2014 see-through debt maturities have been extended to seven years. With see-through LTV of 43% any refinancing requirement is more straightforward to deliver.
Adverse interest rate movements. **Reduced profitability and reduction in property values (through resulting expansion of valuation yields and lower valuations).**	Hedge exposure with interest rate swaps. Refinance facilities with fixed rates.	→	97% of see-through debt now at fixed rate/swapped. Average cost of debt 4.7% with a seven-year average loan maturity. Read more on page 38

OPERATIONS REVIEW

INVESTING IN OUR FUTURE

HOME FOR SUCCESS HAS GALVANISED OUR EMPLOYEE BASE, CAPTURING THE IMAGINATION OF COLLEAGUES THROUGHOUT OUR BUSINESS. OUR TEAMS HAVE BEEN BUSY FINE-TUNING THEIR PLANS AND IDEAS TO LIVE WITHIN OUR NEW PURPOSE.

RICHARD SMITH
Managing Director of Operations

SALES, RENTAL GROWTH AND PROFITABILITY

The key strengths of our Operations business are our people and people practices, our scalable platform, the strength of our brand and our long-standing relationships with Universities. We continued to build on these strengths throughout 2014, resulting in a £10.2 million, 44% increase in EPRA earnings on a recurring basis to £33.3 million compared with last year (2013: £23.1 million). This growth has been driven by high occupancy, rental growth and the impact of portfolio movements as well as further operational efficiencies and ongoing cost discipline.

FROM 2015/16, THE RESTRICTIONS ON ENROLMENT NUMBERS PREVIOUSLY APPLIED TO UK AND EU STUDENTS WILL BE REMOVED ENTIRELY, WHICH IS LIKELY TO SUPPORT SUSTAINED GROWTH IN STUDENT NUMBERS IN THE LONGER TERM

Occupancy across Unite's portfolio for the 2014/15 academic year stands at 99%

SUMMARY PROFIT AND LOSS ACCOUNT

	2014 £m	2013 £m
Total income from managed portfolio	254.6	240.7
Unite share of rental income	130.0	113.4
Unite share of operating costs	(35.7)	(32.4)
Net operating income (NOI)	94.3	81.0
NOI margin	72.5%	71.4%
Management fee income	10.0	10.6
Operating expenses	(19.9)	(19.0)
Finance costs	(45.6)	(47.0)
Net portfolio contribution	38.8	**25.6**
UCC performance fee	–	7.5
Development pre-contract/ share option and other costs	(5.5)	(2.5)
EPRA earnings	33.3	**30.6**
EPRA earnings (recurring)	33.3	23.1
EPRA EPS	17.2p	18.0p
EPRA EPS (recurring)	17.2p	**13.6p**
EPRA EPS yield	4.5%	3.9%

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Total income from the managed portfolio has increased to £254.6 million (2013: £240.7 million) driven by the increased size of the portfolio, rental growth and higher occupancy.

The Group's NOI margin increased to 72.5% from 71.4% in December 2013 as we delivered further efficiencies and productivity improvements, while improving our service and the quality of our estate through targeted investment. We are targeting further improvements in NOI margin over the next couple of years while also recognising the importance of re-investing appropriately to ensure that service levels continue improving.

Overheads increased by 4.7% to £19.9 million as a result primarily of around £1.0 million of one-off costs relating to the Home for Success programme. Our key overhead efficiency measure (total operating expenses less management fees as a proportion of Unite's share of property value) has remained at 61bps (December 2013: 61bps) in line with our target of 60bps, despite the impact of reduced fees following the exit from the OCB joint venture and the increase in our stake in UCC and USAF. Scalability of our overhead base remains an important strength and we are targeting a revised overhead efficiency measure of 35bps to 45bps in the next few years.

Finance costs (comprising interest and lease payments) fell to £45.6 million (2013: £47.0 million), reflecting the full year impact of the reduction in the Group's average cost of debt following the refinancing activity in 2013 and 2014. Development pre-contract and other costs increased to £5.5 million (2013: £2.5 million) reflecting the high level of development activity and the one-off receipt of £2.3 million Landsbanki recoveries in 2013.

OCCUPANCY, RESERVATIONS AND RENTAL GROWTH

Occupancy across Unite's portfolio for the 2014/15 academic year stands at 99% and like-for-like rental growth of 3.3% was achieved on our stabilised portfolio.

Reservations for the 2015/16 academic year are encouraging, standing at 65% (62% at the same point last year). The removal of the Government's cap on student numbers, together with the continued attraction of the UK as a destination for international students, suggests a further meaningful increase in the number of new students next year. This provides us with further confidence in occupancy and rental levels for the 2015/16 academic year, which we expect to be at least as strong as for 2014/15.

Satisfaction with service has again improved to its highest ever level driven by a range of further improvements this year

DEMAND AND SUPPLY OUTLOOK

For 2014/15, 512,000 applicants were awarded places at UK Universities, representing the highest ever annual intake of students in the UK. The total number of applicants was 699,700, meaning that applicant numbers again outstripped available places by over 180,000. Acceptances from EU students were up by 7.3%, non-EU student acceptances increased by 2.8% and acceptances from UK students were up 3.2%, suggesting that the impact of increased tuition fees introduced in 2012 has been absorbed.

From 2015/16, the restrictions on enrolment numbers previously applied to UK and EU students will be removed entirely, which is likely to support sustained growth in student numbers in the longer term. However, we do not expect this increase in demand to fall evenly across the sector and variation in enrolment levels between different institutions is likely to increase over time. The institutions best placed to benefit most are those for whom the cap has most been a constraint historically. Enrolment of high attainment students has been uncapped for three application cycles so Universities that already recruit heavily from this population are unlikely to grow much more when the cap is removed. Similarly, lower ranked Universities may struggle to maintain market share over time if higher ranked institutions seek to grow meaningfully. Consequently, we expect middle ranking Universities to be the biggest beneficiaries of the changes. We remain confident that our business is aligned with stronger institutions and those that are likely to experience continued growth.

With modest levels of new supply expected in Unite markets over the next few years and growing student numbers, the demand/supply outlook remains firmly positive.

INVESTMENT IN PEOPLE, TECHNOLOGY AND RELATIONSHIPS

Satisfaction with service has again improved to its highest ever level driven by a range of further improvements this year. These include: upgrades to our digital platforms (website and online booking); the successful launch of two student apps (MyUnite, which allows students living with us to access various services from their Android or iOS phone, and the Facebook-based World of Unite); the introduction of our wellbeing programme; the strengthening of our social media capability, and numerous improvements to our National Contact Centre (including a new telephony system and the recruitment of specialist advisers fluent in a combined 11 languages).

We are continuing to invest in improving our operating platform and service provision to increase our brand strength and competitive advantage for the longer term. This is taking place at a time when we believe many operators in the sector will struggle to respond due to financial limitations, a lack of scale or competing priorities such as integrating acquisitions. As announced in April, work has begun on delivering a £40 million (£20 million Unite share) two-year investment programme aligned to our core business purpose, Home for Success.

Progress has already been made with the majority of the 16 signature commitments focusing on the four areas of physical, digital, service and people. Our implementation plan is on track and students staying with Unite in 2014/15 are already receiving a number of additional services and benefits for no extra cost:

- We have completed the upgrade of our Wi-Fi service throughout all properties; now providing free 20MB internet access, everywhere, with the option to upgrade to 50MB
- We have recruited almost 100 additional housekeepers to provide free fortnightly cleaning in shared kitchens, helping students settle in to their new homes, reducing disputes and giving our staff more contact time with customers
- LED lighting installations have been completed in 31 properties, further reducing our operating costs and carbon footprint while improving students' experience of living with us. Over the next 18 months, we will complete installations in approximately six properties per month, completing the full estate by mid-2016
- Reception and common rooms have been refreshed in line with our new 'look and feel' at 25 properties as at 31 December 2014. The remaining buildings will be completed over the next six months at a rate of approximately 15 per month
- We are establishing a small operational presence in Beijing at minimal cost to cater more specifically for our significant Chinese customer population. We expect this to be fully operational by April 2015 and to focus on marketing and operational support activities

Work has begun on delivering a £40 million (£20 million Unite share) two-year investment programme aligned to our core business purpose, Home for Success

Over the next six to nine months we will see much more delivered in relation to these commitments, including transforming the look and feel of more properties, launching various elements of our new IT infrastructure, introducing an entirely new website, and booking system, and delivering our plans to pay all staff at least the living (rather than minimum) wage.

Home for Success has galvanised our employee base, capturing the imagination of colleagues at all levels of the business and our teams have been busy fine-tuning their plans and ideas in line with our new purpose. Our discussions with University partners over the last few months have been similarly positive with excellent encouragement from all quarters across the UK.

WE ARE CONTINUING TO INVEST IN IMPROVING OUR OPERATING PLATFORM AND SERVICE PROVISION TO INCREASE OUR BRAND STRENGTH AND COMPETITIVE ADVANTAGE FOR THE LONGER TERM

PROPERTY REVIEW

A STRONG PIPELINE OF OPPORTUNITIES

DURING THE YEAR WE HAVE CONTINUED TO GROW OUR 2016 AND 2017 PIPELINE HAVING NOW SECURED SEVEN SCHEMES, DELIVERING 5,500 BEDS.

RICHARD SIMPSON
Managing Director of Property

NAV GROWTH

EPRA NAV per share increased by 13.6% to 434 pence at 31 December 2014, up from 382 pence at 31 December 2013. In total, EPRA net assets were £881 million at 31 December 2014, up from £682 million a year earlier.

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

- The growth in the value of the Group's share of investment assets (+23 pence), as a result of rental growth and yield compression
- The value added to the development portfolio (+17 pence)
- The positive impact of retained profits after dividends paid (+13 pence)
- The positive impact of the £96 million share placing and open offer issue offset by financing costs (–1 pence)

Looking forward, our portfolio is well placed to deliver continued 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 47 pence per share of NAV uplift and 13 pence of earnings per share once completed (Unite share), assuming that expected returns are achieved.

Looking forward, our portfolio is well placed to deliver continued growth

PROPERTY PORTFOLIO

The valuation of our property portfolio at 31 December 2014, including our share of gross assets held in USAF and joint ventures, was £1,624 million (31 December 2013: £1,370 million). The £254 million increase in portfolio value was attributable to:

- Capital expenditure on developments of £102 million and acquisitions of £33 million (Unite share)
- Increasing our share of USAF from 16% to 22% and in UCC from 30% to 50%, £148 million
- Disposals of £108 million to third parties and £20 million to USAF (Unite share)
- Valuation increases of £97 million on the investment and development portfolios, with like-for-like rental growth of 3.3% being generated on the stabilised portfolio

SUMMARY BALANCE SHEET

	2014 £m			2013 £m		
	Wholly owned £m	Share of Fund/JV £m	Total £m	Wholly owned £m	Share of Fund/JV £m	Total £m
Rental properties	952	558	1,510	767	408	1,175
Properties under development	49	65	114	180	15	195
	1,001	623	1,624	947	423	1,370
Adjusted net debt	(449)	(248)	(697)	(470)	(196)	(666)
Other assets/(liabilities)	(38)	(8)	(46)	(24)	2	(22)
EPRA net assets	514	367	881	453	229	682

The proportion of our property portfolio that is income generating increased to 93% from 86% at December 2013, with 7% now under development as the 2014 completions moved from development to investment categorisation. The proportion of capital committed to development will start to increase again in 2015 and 2016 as we make further progress with the 2015 and 2016 schemes and start committing capital to the 2017 and 2018 deliveries. However, we expect the development weighting of our balance sheet to remain within our internal cap of 20% going forward.

UNITE INVESTMENT PORTFOLIO ANALYSIS AT 31 DECEMBER 2014

		USAF	UCC/ LSAV	Wholly owned	Lease	Total	Unite share
London	Value (£m)	195	388	438	–	1,021	675
	Beds	1,425	2,632	2,995	324	7,376	45%
Major provincial	Value (£m)	1,166	38	346	–	1,550	621
	Beds	19,125	333	5,773	1,831	27,062	41%
Provincial	Value (£m)	212	–	168	–	380	214
	Beds	4,305	–	3,237	1,059	8,601	14%
Total	**Value (£m)**	1,573	426	952	–	2,951	1,510
	Beds	24,885	2,965	12,005	3,214	43,039	
Unite ownership share		22%	50%	100%	–	–	
Unite ownership (£m)		345	213	952	–	1,510	

The investment portfolio (see-through) is split between London (45%) and the rest of the UK (55%), which is broadly in line with previous years. The acceleration of our regional development activity during 2014 means that the London weighting is likely to fall to around 40% as the portfolio is built out.

STUDENT ACCOMMODATION YIELDS

Over 2014, yields for student accommodation started to show some signs of modest compression. Across our portfolio net initial yields moved from 6.5% to 6.3%, reflecting a change of 20bps from December 2013. Around a quarter of this fall was due to portfolio mix as we completed two large London developments during the year. The remainder of the movement reflects the increasing level of demand for good quality, well located purpose built student accommodation.

INDICATIVE YIELDS

	2014		2013	
	Direct Let	University Guaranteed	Direct Let	University Guaranteed
London	5.5–6.0%	4.75–5.25%	6.0–6.25%	5.35–5.6%
Major provincial	6.1–6.5%	5.25–5.75%	6.25–6.75%	5.85–6.1%
Provincial	6.5–7.0%	6.0–6.5%	6.75–7.25%	6.35–6.6%

Yields for student accommodation assets have yet to experience the extent of compression seen in other sectors, despite the sector's consistent rental growth performance and outlook and the low interest rate environment. As at 31 December 2014 the spread between our average portfolio yield and the IPD All Property initial yield was 118bps and the spread over 10 year swap rates 458bps, both of which are at or close to all-time highs.

There are clear signs that yield compression will feature more prominently in our sector in 2015. After a further £2.2 billion of transactions in 2014, up from £2.1 billion in 2013, there are now three major portfolios of accommodation on the market and expected to be sold during 2015. The combined value of these portfolios is over £2 billion and interest appears to be strong from a wide range of investors; preliminary indications are that bids are being made at yields 50 to 75bps inside current valuation levels. Although it is likely that a proportion of this potential upside will reflect portfolio premium, which will not be reflected in individual asset valuations, this indicative pricing suggests there is room for meaningful yield movement.

DEVELOPMENT ACTIVITY

2014 and 2015 completions

Our three 2014 developments were all completed in line with budget and programme and have been fully let for the 2014/15 academic year. Saw Mill in Huddersfield was sold to USAF in September for £20 million generating a £6 million development profit. Stratford ONE will be sold to LSAV under the terms of the forward sale agreement in the next few months while our St Pancras Way property is being retained on balance sheet.

We expect to secure further regional development projects during 2015 targeting completion for 2018

Our 2015 developments at Trenchard Street, Bristol (wholly owned) and Angel Lane, Stratford (LSAV) are both progressing in line with targets and are on track to open in September 2015. Based on current levels of University interest in the properties we expect both assets to be fully let in their first year of operation.

Regional development pipeline

During the year we have continued to grow our 2016 and 2017 regional pipeline and have now secured a total of seven schemes which are expected to deliver approximately 3,900 beds in addition to our ongoing project at Trenchard Street. All new regional developments are being undertaken wholly on balance sheet and prospective returns are very attractive at an average 9.5% yield on cost. We have secured planning consents for our projects in Aberdeen and Portsmouth where work has now commenced for 2016 delivery and, taking into account planning progress on our other sites, we also expect Coventry to be delivered in 2016 and our remaining projects for 2017.

Our fully secured pipeline is as follows:

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 %
2015 completions								
Trenchard Street	Bristol	483	37	27	13	9	2	9.6%
2016 completions								
Greetham Street	Portsmouth	836	54	42	5	37	11	9.3%
Causewayend	Aberdeen	399	33	23	3	20	7	9.8%
Far Gosford Street	Coventry	270	22	17	–	17	6	9.4%
2017 completions								
Newgate Street[1]	Newcastle	606	44	31	–	31	13	9.7%
St Leonards[1]	Edinburgh	550	52	40	1	39	12	9.5%
Tara House[1]	Liverpool	598	45	35	6	29	10	9.3%
Constitution Street[1]	Aberdeen	658	60	44	5	39	16	9.4%
Total (wholly owned)		**4,400**	**347**	**259**	**33**	**221**	**77**	**9.5%**

[1] Subject to obtaining planning consent.

We expect to secure further regional development projects during 2015 targeting completion for 2018. These projects will be funded from existing reserves and proceeds from asset disposals. Prospective returns remain attractive, although we expect to see some reduction from current levels as land prices and build costs begin to increase. However, we do not expect any reduction to be more than 50 to 75bps.

LSAV development pipeline

Within LSAV, our 50/50 London joint venture with GIC, we are well under way with the construction of three development projects at Angel Lane, Stratford, Stapleton House, Islington and Wembley Park, Wembley.

SECURED DEVELOPMENT PIPELINE (LSAV)

Within LSAV, we are well under way with the construction of three development projects in Stratford, Islington and Wembley.

		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 %
LSAV								
2015 completions								
Angel Lane	London	759	84	54	21	15	15	9.3%
2016 completions								
Stapleton House	London	862	109	85	35	49	16	8.8%
Wembley Park	London	699	62	50	13	37	9	8.7%
Total LSAV		**2,320**	**255**	**189**	**69**	**101**	**40**	**9.0%**
Unite share of LSAV		**N/A**	**128**	**95**	**33**	**51**	**20**	**9.0%**

As anticipated, we did not secure any additional projects in LSAV during 2014 as alternative use values for suitable sites, particularly residential, escalated rapidly and our achievable returns declined as a result. However, London remains an appealing location for new development and we are monitoring the market closely to establish when development might become feasible again if site prices begin to reduce. 40% of LSAV's target investment is currently unallocated and available for further developments if required.

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 2018)	
	Future NAVps	Future EPS
Secured regional projects (wholly owned)	37	10
Secured LSAV projects	10	3
Total secured pipeline	47	13
Target regional pipeline	9	3
Secured and target pipeline	56	16

ASSET DISPOSALS

During 2014 we sold £268 million of gross assets at an average net initial yield of 6.3% and a further £20 million of assets were sold to USAF, equating to £128 million of disposals on a see-through basis and all in line with book values. The level of sales was slightly higher than usual in 2014 due to the sale of the OCB joint venture assets.

Our development pipeline remains a source of significant future value and earnings growth

Asset disposals continue to be a feature of our strategy as we seek to recycle assets both to manage portfolio quality and leverage and to generate capital for new development activity. As we have previously outlined, we generally plan to sell an average £50 million – £100 million of assets each year (Unite share). Disposals in 2015 are likely to be at the upper end of this range and we will keep our asset disposal plans under review given the prospect of strengthening yields.

ACQUISITIONS

In July 2014, USAF acquired a high quality 3,000 bed student accommodation portfolio from Cordea Savills Student Hall Fund for £137 million, equating to a net initial yield of 6.3%. The acquisition was funded through a combination of cash resources and existing debt facilities and followed USAF's fundraising in March 2014. The nine assets acquired increased USAF's property portfolio value by 10%. Two of the properties were already operated by Unite under sale and leaseback arrangements so the Group's operational portfolio increased by a net 1,900 bed spaces as a result of the acquisition. These two assets (in Bath and Portsmouth) benefit from long-term agreements with Universities and offer significant reversionary potential.

USAF currently has approximately £50 million – £75 million of capital available for investment and will consider further acquisitions in the open market during 2015 provided that good quality assets are available at fair prices.

FINANCIAL REVIEW

SIMPLIFYING AND STRENGTHENING OUR CAPITAL STRUCTURE

OUR STRONG PERFORMANCE MEANS THAT WE HAVE DELIVERED OUR EPS YIELD TARGET A YEAR AHEAD OF PLAN

JOE LISTER
Chief Financial Officer

INCOME STATEMENT AND PROFIT MEASURES

EPRA earnings is the key income performance measure for the Group and the detail of this performance is set out in the Operations Review section of this report. The following table shows the further elements that are included within the International Financial Reporting Standards profit after tax measure.

	2014 £m	2013 £m
EPRA earnings (recurring)	**33.3**	23.1
EPRA earnings	**33.3**	30.6
Valuation gains and profit/loss on disposal	**75.1**	46.9
Changes in valuation of interest rate swaps and debt break costs	**(1.8)**	(1.3)
Minority interest and tax adjustments	**(4.0)**	1.8
Profit after tax	**102.6**	**78.0**
EPRA earnings per share (recurring)	**17.2p**	13.6p
EPRA earnings per share	**17.2p**	18.0p

EPRA earnings of £33.3 million to 31 December 2014 (2013: £30.6 million) is stated after deducting tax charges, share option costs and abortive/pre-contract development spend. In 2013, a one-off performance fee of £7.5 million was earned from the UCC joint venture and was excluded from recurring EPRA earnings. Changes in valuation of interest rate swap and debt break costs of £1.8 million were incurred during the year, associated with the Mass Mutual financing that was completed in January 2014. Minority interests and tax adjustments of £4.0 million (2013: £1.8 million) relate primarily to a deferred tax charge of £2.9 million relating to the uplift in property valuations. A full reconciliation of EPRA earnings to profit after tax is given in Section 2 of the financial statements.

The Operations business generated £35.0 million of net cash in 2014 (2013: £23.2 million)

TAX

The Group has built up a significant amount of brought forward tax losses and unclaimed capital allowances, primarily as a result of the high volume of development activity it has undertaken over the last 10 years. A deferred tax asset of £2.2 million (2013: £0.6 million) and a deferred tax liability of £2.8 million (2013: £nil) have been recognised in the Group's balance sheet. Deferred tax assets of a further £8.9 million (2013: £9.6 million) have not been recognised on the Group's balance sheet due to the uncertainty of future profits in the relevant companies and the ability to offset the losses against them.

The existence of the brought forward losses and unclaimed capital allowances means that the Group is unlikely to incur meaningful levels of corporation tax within the next two years. As the Group continues to grow recurring earnings and the historical losses are utilised, the prospect of conversion to Real Estate Investment Trust (REIT) status becomes more likely.

CASH FLOW AND NET DEBT

The Operations business generated £35.0 million of net cash in 2014 (2013: £23.2 million) and see-through net debt increased marginally to £697 million (2013: £666 million). The key components of the movement in net debt were the share placing, operational cash flow and the disposal programme (generating total inflows of £235 million on a see-through basis) offset by total capital expenditure of £102 million, dividends paid of £11 million and an increase in our share of co-investment vehicle net debt of £153 million as a result of our increased ownership levels.

For 2015, we expect net debt to remain broadly in line with current levels as proceeds from asset disposals offset development capital expenditure. As a result we expect our LTV to fall further towards our 40% target as asset values continue to grow.

DIVIDEND

As highlighted in our Interim statement, we have reviewed our dividend policy and are recommending increasing the payout ratio from 35 – 40% of EPRA EPS to 65% with effect from the 2014 financial year.

We are therefore recommending a final dividend payment of 9.0 pence per share (2013: 3.2 pence), making 11.2 pence for the full year, 6.4 pence higher than 2013 (2013: 4.8 pence). The increased dividend reflects our strong earnings growth and is 1.6 times covered by operational cash flow.

Subject to approval at Unite's Annual General Meeting on 14 May 2015, the dividend will be paid on 19 May 2015 to shareholders on the register at close of business on 24 April 2015.

SHARE PLACING

We completed a placing and open offer of 24.5 million new ordinary shares in March 2014 at a price of 410 pence per share, raising net proceeds of £96 million. Approximately half of the proceeds were used to increase our share in USAF to 22% while the remainder has been used to extend our highly targeted regional development programme.

The placing increased NAV at 31 December 2014 by 1 pence per share as the shares were issued at an 8% premium to the December 2013 net asset value. From an EPS perspective the impact across 2014 has been broadly neutral as the income return from the investment in USAF broadly offsets the impact of raising capital to invest into development activity that will not generate earnings for two to three years. In the medium term we expect the additional regional developments to be materially accretive to EPS.

We completed a share placing and open offer of 24.5 million new ordinary shares in March 2014 at a price of 410 pence per share, raising net proceeds of £96 million

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)

	2014	2013
Net debt	**£697m**	£666m
LTV	**43%**	49%
Average debt maturity	**6.5 years**	7.1 years
Average cost of debt	**4.7%**	4.7%
Proportion of investment debt at fixed rate	**97%**	86%

The Group's see-through LTV reduced to 43% at 31 December 2014 from 49% at the end of 2013 and we will continue to manage our gearing proactively and maintain our target of reducing LTV towards 40% over time. In the event that we experience significant yield compression in property values from current levels, we will review our target LTV threshold downwards.

Our see-through cost of debt has remained constant at 4.7% (2013: 4.7%) and the Group now has 97% of its see-through investment debt subject to a fixed interest rate (2013: 86%). During 2015, we have the opportunity to lock into forward funding rates on borrowings against our secured development pipeline as it is completed. As current swap rates are lower than we had assumed for planning purposes this could add an additional one-two pence per share to the expected annual earnings from the pipeline.

COVENANT HEADROOM

We are in full compliance with all of our borrowing covenants at 31 December 2014. Our debt facilities include loan to value, minimum net worth and interest cover covenants that are measured at both a Group and an individual portfolio level and we have maintained considerable headroom against all measures. Covenant headroom will reduce as surplus capital is deployed into new development opportunities, but we intend to maintain substantial headroom against all covenants.

FUNDS AND JOINT VENTURES

We have made further progress simplifying our balance sheet during the year through the disposal of the OCB joint venture assets and the merger of UCC into LSAV to create a single joint venture with GIC. The table below summarises the key financials for each vehicle:

	Property assets £'m	Net debt £'m	Other assets £'m	Net assets £'m	Unite share of NAV £'m	LTV	Maturity	Unite share
USAF	1,573	(611)	(27)	935	207	39%	Infinite	22%
LSAV	557	(230)	(8)	319	160	41%	2022	50%

The co-investment vehicles performed well in 2014, broadly in line with overall Group performance, and we consider both USAF and LSAV to be core long-term investments for the Group.

USAF raised £58 million of third party capital during the year. In addition, Unite invested £57 million of capital as part of the equity raising process, increasing our stake to 22%. The combined proceeds were invested into the acquisition of the Cordea Savills Student Hall Fund portfolio in July for a total consideration of £137 million. The portfolio is complementary to USAF's existing assets and enhances the income and total return of the fund.

The sale of the three properties held in the OCB joint venture was completed in May. The proceeds were reinvested in the UCC joint venture, increasing our stake to 50% and thereby allowing the merger with the LSAV joint venture to take place during the year to reduce the number of co-investment vehicles from four to two.

FEES

During the year the Group received fees of £14.7 million from its fund and asset management activities as follows:

	2014 £m	2013 £m
USAF		
Asset management fee	**6.9**	6.6
Acquisition fee	**1.4**	–
LSAV		
Asset and property Management fee	**3.4**	3.5
Development management fee	**2.7**	0.9
Performance fee	**–**	7.5
OCB		
Asset management fee	**0.3**	0.9
Total fees	**14.7**	**19.4**

For 2015, we expect total fees to be in the region of £15 million, excluding performance fees. However, we also expect cumulative returns in USAF to reach a level where our annual performance fee becomes payable again. The actual level of performance fee will vary according to USAF's performance, with valuation yields likely to be the most significant variable. Depending on yields, the performance fee, which is payable in units, could be in the range of £5 million to £15 million.

WE HAVE MADE FURTHER PROGRESS SIMPLIFYING OUR BALANCE SHEET DURING THE YEAR THROUGH THE DISPOSAL OF THE OCB JOINT VENTURE ASSETS AND THE MERGER OF UCC INTO LSAV TO CREATE A SINGLE JOINT VENTURE WITH GIC

SUSTAINABLE SUCCESS

We recognise the importance of operating responsibly and sustainably at all times and making a positive difference to our stakeholders as well as wider society. On behalf of the executive team i have been appointed chair of the Corporate Responsibility & Sustainability (CR&S) Committee and am accountable to the Board for CR&S within Unite. Our Communications Director, James Puxty, will chair the CR&S working group with responsibility for the day to day development and implementation of our CR&S strategy.

Our strategy is based on four areas where we are best able to make a positive contribution to wider society: environment, business, people and communities.

RICHARD SMITH
Managing Director of Operations
Chair, Corporate Responsibility & Sustainability Committee

OVERVIEW

In 2014 we were proud to achieve a significant improvement in our Carbon Disclosure Project (CDP) Climate Change disclosure score (www.cdp.net), up from 56E in 2013 to 86B. This is the biggest year on year improvement of all 72 respondents in the 'Financials' category, putting us 10 points above the average (CDP scores comprise of a disclosure score (from 0-100) relating to the completeness and transparency of disclosure, and a performance band from E to A based on actual carbon emissions).

ABSOLUTE ENERGY USE*

	2014 annual report	2013 verified	2013 annual report	Change 2013–2014
Total gas (kWh)	22,882	28,718	28,564	↓
Total electricity (kWh)	105,457	113,030	111,528	↓
Company car use (km)	423,060	401,921	847,940	↑

ABSOLUTE CO_2e EMISSIONS*

	2014 annual report	2013 verified	2013 annual report	Change 2013–2014
Total gas emissions (tonnes CO_2e)(Scope 1)	4,233	5,285	5,257	↓
Total electricity emissions (tonnes CO_2e)(Scope 2)	52,123	50,353	49,683	↑
Company car (tonnes CO_2e)(Scope 1)	82	76	161	↑
Overall emissions (tonnes CO_2e)(Scopes 1+2)	56,438	55,714	54,940	↑

CO_2e EMISSIONS PER BED*

	2014 annual report	2013 verified	2013 annual report	Change 2013–2014
Total gas emissions (tonnes CO_2e/bed)(Scope 1)	0.098	0.129	0.129	↓
Total electricity emissions (tonnes CO_2e/bed)(Scope 2)	1.211	1.232	1.215	↓
Company car (kg CO_2e/bed)(Scope 1)	1.901	1.870	3.940	↑
Overall emissions (tonnes CO_2e/bed)(Scopes 1+2)	1.311	1.363	1.344	↓

* Carbon emissions factors used are from the 2014 Department for Environment, Food and Rural Affairs Greenhouse Gas Conversion Factor Repository using the following factors: natural gas (kgCO_2 e/kWh) 0.18497, grid electricity (kgCO_2 e/kWh) 0.49425 and company cars (kgCO_2 e/kWh) 0.18546 for diesel and 0.19388 for petrol cars.

THE ENVIRONMENT

We work hard to minimise our impact on the **environment** and mitigate risks through a commitment to responsible and sustainable business practice. This commitment means complying with all relevant legislation, reducing our carbon emissions, water consumption, pollution and waste while increasing recycling, helping our staff and students develop lasting sustainable living and working habits, and making sure our new developments are built to the highest environmental and energy performance standards.

Carbon emissions data

As well as reporting our carbon emissions under the CDP, Carbon Reduction Commitment (CRC) and Global Real Estate Sustainability Benchmark (GRESB), we have been reporting them in our annual report for several years. This year our carbon footprint data has also been independently verified to a limited assurance level in line with ISO 14064 – 3:2006 against the requirements of the Greenhouse Gas Protocol. 2014's data is set out on page 40.

A detailed analysis of our absolute energy use is available in our CR&S report www.unite-group.co.uk. The data used to calculate the emissions includes a proportion of estimates, where we are awaiting data from utilities suppliers. Full data will be available for independent verification later in the year, and the verified data will be available in next year's report. 2014 emissions are compared against 2013's verified data.

BUILDING COMMUNITIES

We work closely with all our stakeholders to bring real value locally and nationally, while creating conditions for student **communities** to flourish in our buildings. We are expanding the Unite Foundation, encouraging staff volunteering, increasing charitable fundraising, improving student welfare and wellbeing, building community relations, and engaging with our wider stakeholders.

RESPONSIBLE BUSINESS

Within our **business** we strive to exceed the expectations of our partner Universities and suppliers, and provide best in class returns for our investors whilst operating in an ethical, responsible and transparent manner. This means complying with all relevant legislation, operating efficiently and effectively, delivering quality to our customers and partners, generating a return for investors, reporting in an open and transparent manner, and dealing fairly with our supply chain.

COMPREHENSIVE CR&S REPORTING

Further details of our CR&S strategy, with case studies of our achievements and progress made during the year, can be found in our Corporate Responsibility & Sustainability Review, available on our website www.unite-group.co.uk/CRS

DEVELOPING PEOPLE

We are building a diverse and talented team, engaging with our **people** to help them realise their personal and professional potential in a fair, safe and rewarding environment. This means complying with all relevant legislation, respecting human rights, encouraging a diverse and tolerant workforce, providing fair pay and remuneration, and opportunities to develop in a supportive environment.

Unite diversity policy

Unite values diversity and our aim is that our workforce will be truly representative of all sections of society and each employee will feel respected and able to give their best.

Unite opposes and will challenge all forms of discrimination. You can read more on our diversity policy in our full CS&R report at www.unite-group.co.uk/CRS.

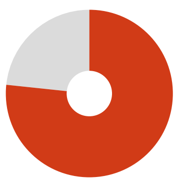
Human rights

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 everyone involved in our operations, including staff, interviewees, customers, partners, suppliers and third-parties, are protected and treated in a completely fair manner and subject to our Anti-Bribery and Corruption Policies, Health & Safety Policy and various HR policies, including those covering data protection, disciplinary, performance management, flexible working, grievance, leave, equality and diversity.

GENDER DIVERSITY SPLIT

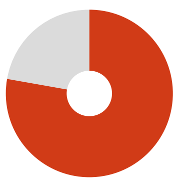
All employees

Male	595
Female	550



Senior managers
Operations and Property boards and their direct reports

Male	30
Female	9



Group Board
Chairman, Executive and Non-Executive Directors

Male	7
Female	2

WHAT'S IN THIS SECTION

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Filbert Village, Leicester

CHAIRMAN'S INTRODUCTION TO GOVERNANCE

DURING 2014, THE BOARD CONTINUED TO OVERSEE THE PROGRESSION AND IMPLEMENTATION OF OUR THREE KEY STRATEGIC OBJECTIVES. OUR GOVERNANCE CULTURE IS BUILT ON THESE AND IS FUNDAMENTAL TO HOW THE BOARD ENSURES THEIR SUCCESSFUL DELIVERY.

HOW GOVERNANCE HAS SUPPORTED OUR STRATEGY DURING 2014

Strategic objective	Board's governance role	Related Board activity during 2014
To become the most trusted brand in the sector	Board review and approval of our core business purpose – Home for Success, – which we rolled out in 2014, (see page 4). Board continued to focus on the health and safety, wellbeing and security of the 43,000 students who make Unite Students their home.	Board review and approval of the £40 million Home for Success re-investment programme, committing to a wide range of service improvements, systems and technology upgrades across the business. The Board considers health and safety at every Board meeting (reviewing health and safety for our students, visitors and employees at our properties and for our contractors, visitors and employees at our developments and construction sites). Health & Safety Committee – a subcommittee of the Board – determines our Health & Safety strategic priorities and scrutinises our Health and Safety policies and procedures ensuring they are appropriately embedded and implemented (see pages 60 – 61).
To operate the highest quality portfolio	Board oversight of new developments, scrutinising city and site selection, as well as ensuring these developments run to budget and schedule. Board oversight on acquisitions and disposals and also our programme of refurbishments and extensions to existing properties.	Successfully allocated 100% of the development capital from the 2013 share placing and 2014 share placing and open offer capital raise dedicated to new development at returns in line with our targets for regional development. Board review and approval of site acquisitions and developments in Newcastle, Aberdeen, Edinburgh, Portsmouth, Liverpool and Coventry (see page 35). Board review and approval relating to USAF's acquisition of the Cordea Savills Student Hall Fund portfolio and disposal of OCB assets (see page 36). Board review of capital spent during 2014 on refurbishments and extensions to our existing properties.
To maintain the strongest capital structure	Board focus on capital structure and reducing and diversifying the cost of funding.	Board review and approval of the £96 million share placing and open offer to accelerate our targeted regional development programme and increase our stake in USAF. Ongoing Board review of our capital operating guidelines. At the end of 2014 debt maturities remained broadly consistent at seven years and LTV of 43%.

OUR GOVERNANCE PRIORITIES FOR 2015

During 2015, our Governance priorities will continue to focus on our three strategic objectives:

- **To become the most trusted brand in the sector:** overseeing the implementation of Home for Success and the related £40 million investment alongside the continued development of our brand and our signature commitments to our customers and the digital environment where we interact with our customers and prospective customers
- **To operate the highest quality portfolio:** overseeing our new developments (in particular the management of the build process, with a particular emphasis on planning and the timetable to completion) and potential acquisition and disposal opportunities
- **To maintain the strongest capital structure:** overseeing the allocation of capital and development debt

The Board meets twice a year to focus on Unite's strategy, often at Universities across the UK in order to meet Vice-Chancellors and learn about their accommodation requirements and broader developments in the Higher Education sector.

The Unite Board is able to oversee the setting and implementation of the Group's strategy due to its flat management structure; four members of the Board are Executive Directors and 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.

The Board has ultimate responsibility to Unite shareholders for all the Group's activities and a broader responsibility, extending to environmental and social issues. This recognises that the Group is home to 43,000 students during a crucial stage of their personal development and we work with Universities across the UK. To discharge this broader responsibility effectively the Group needs to operate in an open, harmonious and transparent manner. One way this is achieved is by ensuring open communication between the Board and senior Unite management and members of Unite management regularly present to the Board. This direct access to management opens dialogue beyond the boardroom itself.

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

APPOINTMENTS AND SUCCESSION

During 2014, the Nomination Committee continued to ensure the Board had the appropriate balance of skills, experience, independence and knowledge in order to discharge their respective duties and responsibilities effectively, as well as reviewing succession planning and senior management skills development.

As part of an orderly succession plan Elizabeth McMeikan joined the Board on 1 February 2014, bringing significant experience in customer-focused businesses to our Board and Richard Walker retired from the Board in May 2014 after nine years' service.

UK CORPORATE GOVERNANCE CODE

During 2014, our governance framework continued to be built on the UK Corporate Governance Code (the Code) as introduced in September 2012. The Code remained the minimum standard against which we measured ourselves during 2014. We complied with all the provisions in the Code during 2014. We also monitored the changes to the Code introduced in September 2014, for financial years commencing on or after 1 October 2014, in preparation for our financial year commencing on 1 January 2015.

The Code is published by the Financial Reporting Council (FRC) and is available at www.frc.org.uk.

PHIL WHITE
Chairman of the Board
23 February 2015

CORPORATE GOVERNANCE
BOARD OF DIRECTORS

From left to right: Richard Simpson, Richard Smith, Joe Lister, Mark Allan

MARK ALLAN
Chief Executive Officer

Committee
Health & Safety Committee

Mark was appointed as Chief Executive Officer in September 2006 following three years as Unite Chief Financial Officer. Mark held a variety of other roles in the business prior to that, having joined the Group in 1999. He also serves as a Non-Executive Director of Anchor Trust, England's largest not-for-profit provider of services to older people. Mark has overall responsibility for the Group's performance against its business plan targets, whilst continuing to develop Unite's growth strategy.

JOE LISTER
Chief Financial Officer

Joe joined Unite in 2002. He was appointed as Chief Financial Officer in January 2008 having previously held a variety of roles, including Investment Director. Joe is responsible for the Group's finances and investment strategy, the company secretarial function, and chairs the Group's Major Investment Approval meetings and the Group Risk Committee. Prior to joining Unite, Joe qualified as a chartered accountant with PricewaterhouseCoopers.

RICHARD SIMPSON
Managing Director of Property

Richard is Managing Director of Property for Unite. He 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 chair of the British Property Federation's cross-sector Student Accommodation Committee, and is a qualified chartered surveyor and a fellow of the Royal Institute of Chartered Surveyors. Prior to this, Richard served for six years in the British Army.

RICHARD SMITH
Managing Director of Operations

Richard was appointed as Managing Director of Operations for Unite in 2011. His role involves leading the service provided to our 43,000 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.

PHIL WHITE
Chairman

Committee
Chair of Nomination Committee
Remuneration Committee

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 Stagecoach Group plc and Vp plc.

MANJIT WOLSTENHOLME
Senior Independent Director

Committee
Chair of Audit Committee
Remuneration Committee
Nomination Committee

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 Audit and Non-Executive Director of Aviva Investors. Manjit was appointed to the Board at the end of 2011.

From left to right: Elizabeth McMeikan, Professor Sir Tim Wilson, Manjit Wolstenholme, Phil White, Andrew Jones

ELIZABETH McMEIKAN
Non-Executive Director

Committee
Chair of Remuneration Committee
Audit Committee
Nomination Committee
Health & Safety Committee

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.

PROFESSOR SIR TIM WILSON
Non-Executive Director

Committee
Chair of Health & Safety Committee
Audit Committee
Remuneration Committee
Nomination Committee

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 acknowledged as one of the leading thinkers in University business collaboration. He is the author of the government commissioned Wilson Review of University Industry 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.

ANDREW JONES
Non-Executive Director

Committee
Audit Committee
Remuneration Committee
Nomination Committee

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.

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 2014. 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 2015.

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 for exceptional circumstances, all members of the Board attend the Company's annual general meetings and shareholders are invited to ask questions and to meet with Directors prior to, and after, the formal proceedings. At the meeting, the Chairman reviews the Group's current trading.

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

Notice of the Annual General Meeting is set out on page 138.

RESULTS OF 2014 ANNUAL GENERAL MEETING

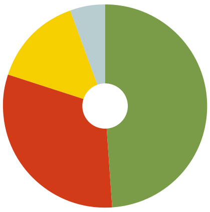
	Resolution	For % Votes cast	Against % Votes cast
1	Receive Annual Report and Accounts	100.0	0.0
2	Directors' remuneration policy	99.8	0.2
3	Annual Report on Remuneration	98.9	1.1
4	Declare a final dividend	100.0	0.0
5 – 13	Appointment of Directors	93.1 – 99.8	0.2 – 6.9
14	Appoint the auditor	98.1	1.9
15	Auditor's remuneration	98.3	1.7
16	Authority to allot shares	93.5	6.5
17	Pre-emption rights	99.6	0.4
18	Allow general meetings on 14 days' notice	86.2	13.8

MEETING WITH INVESTORS

In April, we hosted a capital markets day in Bristol and announced our investment in Home for Success to investors. The day included a tour of our properties showcasing the new visual identity and a visit to our development site, Trenchard Street. Guests had the opportunity to meet with senior management and members of the Operations team to learn more about our mobile working technology and customer facing apps.

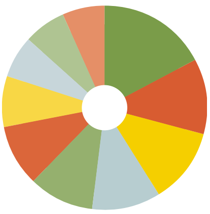
In December, we also hosted a property investor tour at Stratford ONE. The tour included a presentation by management, an update on the development pipeline and a walk around the new 1,001 bed property.

SHAREHOLDERS BY GEOGRAPHY %



United Kingdom	48.9
North America & Canada	31.2
Rest of Europe	14.4
Rest of the World	5.5

TOP 10 SHAREHOLDERS % AS AT 31 DECEMBER 2014



FMR LLC	8.3
BlackRock Inc	5.8
Old Mutual Plc	5.8
Franklin Resources Inc	5.1
Aberdeen Asset Management Group	5.0
APG Asset Management NV	4.6
Royal London Asset Management	3.9
Norges Bank Investment Management	3.2
Morgan Stanley Investment Management	3.2
Principal Financial Group	3.1

BOARD STRUCTURE

Set out below is an outline of Unite's governance structure.

Unite Board

- Audit Committee
- Remuneration Committee
- Nomination Committee
- Health & Safety Committee

- Unite Operations Board
- Unite Property Board
- Risk Committee

HOW THE BOARD OPERATES

Meetings

The Board discusses and approves, annually, a forward agenda of items for the forthcoming year. This agenda sets out a wide range of matters to be reviewed and (to the extent necessary) approved at Board meetings, and at meetings of its Committees. Meetings are held in our head office in Bristol, in London (where a large proportion of our properties are located and also the largest concentration of Higher Education institutions in the UK) and in cities throughout the UK. These cities are selected to give the Board an opportunity to see, first hand, Unite's operations, properties and developments across the UK. During these city visits, the Board meets with senior leaders in the Higher Education sector, such as Vice-Chancellors of Universities that Unite partners with, so the Board can hear how our business is performing and how the Higher Education sector is developing directly from some of our key stakeholders.

Board meetings are structured around the following areas:

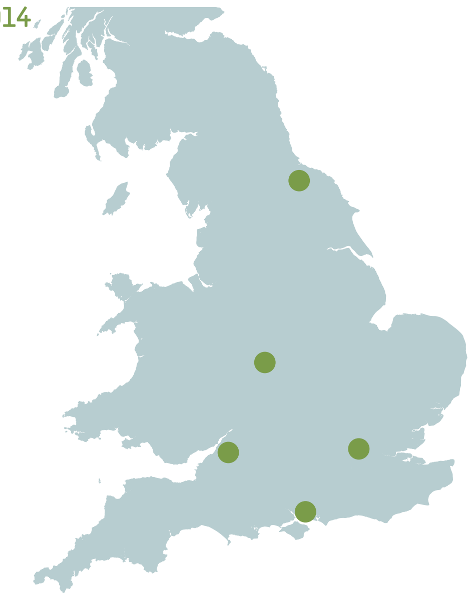
- **Regular updates from the Board Committees on their activities and recommendations:** ensure that the detailed work performed in the Board Committees is considered by the Board as a whole
- **Operational, property and financial updates:** provide the Board with the necessary information to track the 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 operate 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 five year plan
- **Risk review:** review and discuss our key risks at a Group Board level and also review 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:** review the Board's training needs and also ensure the Board is up to date on key legal and regulatory changes (for example, during 2014, there was training on changes in the UK Corporate Governance Code to take effect for the 2015 financial year)
- **Review of Group policies:** review of key Group policies, such as the Anti-Bribery Policy, to ensure they are appropriate and implemented effectively

Senior managers are regularly invited to attend meetings and present to the Board on the areas they manage, and for which they have domain expertise. This provides the Board, in particular the Non-Executives, with direct and open access to managers 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 51.

BOARD MEETINGS 2014

London	4
Bristol	3
Birmingham	1
Newcastle	1
Portsmouth	1
Total	**10**



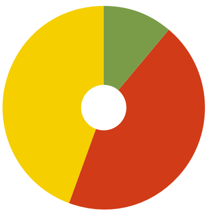
COMPOSITION AND APPOINTMENTS

The composition of the Board during 2014 is set out below.

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

Elizabeth McMeikan was appointed to the Board as a Non-Executive Director with effect from 1 February 2014. Richard Walker retired from the Board at the Annual General Meeting of the Company held on 15 May 2014 having served nine years in office. Richard Walker's positions as Chair of the Remuneration Committee and Chair of the Health & Safety Committee were succeeded by Elizabeth McMeikan and Sir Tim Wilson respectively.

In accordance with the requirements of the Code, each of the current Directors offers himself/herself for re-election at the Annual General Meeting to be convened on 14 May 2015. Brief biographies of all the Directors are set out on pages 46 and 47. 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.



Board breakdown

Chairman	1
Executive	4
Non-Executive	4

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 below.

Role	Description
Chairman	Phil White's principal responsibilities are: • To establish, in conjunction with the Chief Executive, the strategic objectives of the Group, for approval by the Board • To organise the business of the Board • To enhance the standing of the Company by communicating with shareholders, the financial community and the Group's stakeholders generally
Chief Executive	Mark Allan has responsibility for: • Establishing, in conjunction with the Chairman, the strategic objectives of the Group, for approval by the Board • Implementing the Group's business plan and annual budget • The overall operational and financial performance of the Group
Senior Independent Director	Manjit Wolstenholme's principal responsibilities are: • 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

JANUARY	FEBRUARY	MARCH	MAY	JUNE
	Home for Success	Board meeting at Newcastle University and tour of Newcastle properties	Board meeting in Bristol and tour of properties	External Board evaluation
	New developments	Review and approval of share placing and open offer	Customer satisfaction scores	Property investment market review
	Review of preliminary announcement, Annual Report and Accounts and recommend final dividend	Group strategic five-year plan	Review and approve Cordea Savills Student Hall Fund acquisition	Strategy review of development, disposals, dividends and debt levels
	Board training	Review of University partnerships	Exploring strategic growth opportunities	Review of USAF
		Review of LSAV joint venture	IT strategy review	
		Group Board risk review		
		Prelims analyst review		

Responsibility and delegation

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

- Approving the strategic objectives of the Group and the business plan to achieve these 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 forward agenda for the forthcoming year or brought to the Board on an ad hoc basis, as and when necessary.

BOARD AND COMMITTEE ATTENDANCE AT MEETINGS IN 2014

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	4	3	N/A
Sir Tim Wilson	Non-Executive	01.12.10	10	4	4	3	2
Manjit Wolstenholme	Independent	01.12.11	10	4	4	3	N/A
Andrew Jones	Non-Executive	01.02.13	10	4	4	3	N/A
Elizabeth McMeikan	Non-Executive	01.02.14	9	4	4	3	2
Mark Allan	Executive	17.11.03	10	N/A	N/A	N/A	2
Joe Lister	Executive	02.01.08	10	N/A	N/A	N/A	N/A
Richard Simpson	Executive	01.01.12	10	N/A	N/A	N/A	N/A
Richard Smith	Executive	01.01.12	10	N/A	N/A	N/A	N/A
Director who stepped down in the year							
Richard Walker	Non-Executive	03.11.05 (resigned 15.05.14)	3	1	2	1	0

AUGUST	SEPTEMBER	NOVEMBER	DECEMBER
Review of half year results and interim dividend ■■	Review of new developments ■■	Investment market review ■	Customer satisfaction survey ■
Strategic plan through to 2020 ■	Board meeting in Portsmouth and tour of Portsmouth properties ■■	Anti-Bribery Policy review ■	Longer-term strategy review ■
	Sales update ■	2014 corporate governance code changes and preparation for 2015 ■	
	Unite foundation ■	2015 budget ■■■	
	University reputation survey ■		
	Group risk review ■■■		
	Half year analyst review ■		

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

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 below and full details of attendance at Committee meetings can be found in the table on page 51.

Phil White
Remuneration
Nomination*

Sir Tim Wilson
Audit
Remuneration
Nomination**
Health & Safety*

Manjit Wolstenholme
Audit*
Remuneration
Nomination

Andrew Jones
Audit
Remuneration
Nomination

Elizabeth McMeikan
Audit
Remuneration*
Nomination
Health & Safety

Mark Allan
Health & Safety

* Denotes Chair.

** Sir Tim Wilson was Chair of the Nomination Committee until 31 December 2014 with Phil White taking over as Chair of the Nomination Committee from 1 January 2015.

Set out below are sections describing the work of the Committees in discharging their respective functions:

Nomination Committee: see the Nomination Committee report on page 59.

Audit Committee: see the Audit Committee Report on page 54.

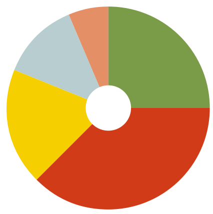
Health & Safety Committee: see the Health & Safety Committee Report on page 60.

Remuneration Committee: see the Remuneration Committee Report on page 62. The Remuneration Committee Report is incorporated into this Corporate Governance Statement by reference.

BOARD TENURE

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

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



	Years
Sir Tim Wilson	4
Phil White	6
Manjit Wolstenholme	3
Andrew Jones	2
Elizabeth McMeikan	1

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.

INDUCTION

On appointment, 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 programme each Director visits key locations to see our business operations and properties first hand and the Higher Education institutions we partner with. They also meet with key senior executives so that 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 advisers.

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

Elizabeth McMeikan joined the Board on 1 February 2014. Prior to her appointment, Elizabeth had a full induction as set out in the Group's 2013 Annual Report and Accounts.

CHAIRMAN AND NON-EXECUTIVE DIRECTORS

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

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 2014, a formal independent evaluation was undertaken in accordance with the Company's policy to conduct an external evaluation every third year (the previous external evaluation was 2011, with internal evaluations in 2012 and 2013). This external evaluation was undertaken by Ffion Hague Independent Board Evaluation, which has no other connection with the Company.

The results of the external evaluation expressed confidence that the Board operates effectively. However, certain recommendations were made, summarised as follows:

Recommendations	Action
Longer-term strategy As the student accommodation sector matures, the Board should devote more time to its longer term strategy.	The focus of Board meetings has been refreshed to ensure more time is built into each meeting to discuss longer-term strategy considerations. In addition, 2015 and future Board forward agendas will include a full day dedicated to a longer-term strategy review beyond the five-year plan.
Risk management Risk management processes and reporting were found to be effective, but risk management should now be enhanced to explore the Group's risk appetite as part of its longer-term strategy.	Risk management and risk appetite considered together with the Board's enhanced focus on longer term strategy.
Succession planning With a maturing business, the Board is now well positioned to spend more time on succession planning and developing a deeper talent pool.	The Nomination Committee developed a senior management talent map and oversees the skills development programme as part of its Board succession planning.
Nomination Committee Best practice indicates that the Board Chair should also chair the Nomination Committee.	The Board Chairman took over the Chair of the Nominations Committee on 1 January 2015.

TRAINING

The Board reviewed its training needs during 2014 and considered it important that the Directors have a broader perspective of the digital platforms and social media used by our digital native customers. In addition, the Board considered it important that the Committee Chairs continue to receive relevant functional training (in areas such as accounting, UK Corporate Governance Code and executive remuneration reporting developments) and accordingly the Committee Chairs attend relevant external seminars.

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 all controls including operational, compliance and risk management, as well as financial controls. Through reports from the Board's Committees, the Group's Risk Committee and the Group's business unit boards (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 the period.

Further information on the Company's internal control framework is set out in the Audit Committee Report. 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 significant risks and its risk appetite in implementing this strategy. Each year, the Board reviews the effectiveness of the Group's risk management systems, how the Board achieved this during 2014 is set out on page 26.

BUSINESS MODEL

For a description of the Group's business model see page 11 of the Strategic Report.

MANJIT WOLSTENHOLME
AUDIT COMMITTEE CHAIR'S OVERVIEW

The Audit Committee plays an important role sitting between management and shareholders. The Committee has specific duties as set out in its terms of reference, in line with the Code, 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 2014, the Audit Committee has continued to monitor the integrity of the Group's financial statement, assisted the Board in reviewing the effectiveness of the Group's internal control and risk management systems, reviewed the internal audit activity and findings, and reviewed arrangements for the Group's employees to raise concerns in confidence.

The Audit Committee has again reviewed the performance of the Group's external auditor and believes the relationship continues to be effective. We remain satisfied with the auditor's independence and effectiveness and have recommended to the Board that they be re-appointed.

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 review the effectiveness of the Group's system of internal controls, including financial 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 52 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.

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

COMMITTEE MEETINGS

The Committee met four times during the year and attendance at those meetings is shown on page 51 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 reviewed the liquidity risk 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.

The Committee considered and approved the audit approach and scope of the audit work to be undertaken by the external auditor and the fees for the same. The Committee also considered the independence of the auditor and the recommendations in the Code regarding the tender of the external audit contract.

The Committee discussed reports from PwC as the Group's internal auditor on their audits and assessment of the control environment. The Committee reviewed and proposed areas of focus for the internal audit programme of review.

FINANCIAL REPORTING

The primary focus of the Committee, in relation to financial reporting in respect of the year ending 31 December 2014, 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 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 24 – 25), risk reviews (as described on pages 27 – 29), business model and strategy (as described on page 11)
- 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 KPMG LLP 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 2014 financial statements related to:

- Property valuations
- Deferred tax assets
- Joint venture accounting

Property valuations

The Group's principal assets are investment properties and investment properties under development that are either owned on balance sheet or in USAF or LSAV. The investment properties are carried at fair value based on an appraisal by the Group's external valuers who carry out the valuations in accordance with the RICS Red Book valuation guide, taking into account transactional evidence during the year. The valuation of property assets involves significant judgement and changes in the core assumptions could have a significant impact on the carrying value of these assets. Management discuss the underlying performance of each asset with the external valuers and provide detailed performance data to them including rents, University lease agreements, occupancy, property costs and costs to complete (for development properties). Management receive detailed reports from the valuers and perform a detailed review of the valuations to ensure that management 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 all three 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.

Further analysis and detail on asset valuations is set out on page 34.

Deferred tax assets

The Group has significant tax losses brought forward from prior years. Recognition of a deferred tax asset relating to these losses is only made when it is probable that these losses will be utilised in the future and is therefore dependent on the ability to set them against deferred tax liabilities and the forecast taxable profits which involve significant judgements and assumptions regarding future performance. Recent changes in Group strategy to reduce gearing levels and improve profitability have made the future use of these losses more likely. Management regularly prepare forecasts of the Group results which are reviewed at Board level. Management have used these forecasts to model the Group's future taxable profits and the extent to which tax losses can be utilised against them. Management also considered the impact on the Group's tax profile of potential conversion to a REIT in the medium term and whether complexities in the Group structure might make some of the tax losses inaccessible at some point in the future. Management therefore decided to restrict deferred tax assets in respect of the next two years' forecast taxable profits in certain Group companies that have the capacity to use their losses.

During the year, the Committee has regularly discussed the recognition of a deferred tax asset within management and the Group's external auditor. The Committee was satisfied with management's approach and subsequent recognition of a deferred tax asset within the financial statements.

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

Further analysis and detail on deferred tax is set out on page 37.

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.

During the year, the group has adopted IFRS 10 – 12 which introduced new guidance on how an investor should account for its interests in other entities, including a new definition of control and new guidance on how to classify and account for jointly controlled arrangements. Management has therefore undertaken a revised assessment of whether the Group has control or joint control of these entities in accordance with these new accounting standards. Due to the complexity of the contractual arrangements, and Unite's role as manager of the entities, the assessment of whether Unite has control or joint control of these entities involves judgements around a number of significant factors.

Management have prepared a detailed analysis that considers the key aspects of: the power Unite has over the USAF and LSAV funds by examining the rights that give it the ability to direct relevant activities; the exposure to variable returns from Unite's involvement in the investee; and Unite's ability to use its power to affect its returns.

The Group, as fund manager, has the ability to direct a number of USAF's activities; however, only some of these were deemed to be key activities that significantly impact on USAF's return. Management's analysis identified acquisitions, disposals, capital expenditure for refurbishments and funding, whether through debt or equity, as the key activities that impact upon the performance of the fund. For each activity, management analysed Unite's contractual rights against those of the Advisory Committee. The Advisory Committee represents the interests of all the unitholders and consists of one representative from Unite and at least four different unitholders. For some of the activities, it was not clear who had definitive control. However, with respect to the activities which were considered to have significant impact on the ability to influence the returns of the fund, acquisitions and equity financing, it was determined that the Advisory Committee and the Group had joint power to direct the activities, and therefore it was appropriate to account for USAF as a joint venture under IFRS 11.

As a result, Unite records its 22% share of the results and net assets of USAF as a joint venture using equity accounting.

The Audit Committee has challenged management and the external auditors on the basis of the above analysis, including identifying the key activities, the process for which the legal agreements have been reviewed to identify the contractual rights of both Unite and the Advisory Committee, and the overall conclusions.

The analysis of whether LSAV is jointly controlled is more straightforward due to the fact that Unite and GIC each owns 50% of the joint venture and both have 50% of the voting rights over key decisions. Therefore, there is much clearer evidence that control over the key activities is shared by the two parties.

Further analysis and detail on joint ventures is set out on page 39.

RISK MANAGEMENT

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

Our work here was driven primarily by performing an assessment of the approach taken by the Group's Risk Committee, chaired by Joe Lister, Chief Financial Officer. The Risk Committee is responsible for the delivery of the Group's Risk Management Framework, which the Committee has approved, and the Group's assessment of its principal risks and uncertainties, as set out on pages 27 – 29. We instructed PwC as internal auditor to undertake a review of the effectiveness of the Group's approach to risk and this was reviewed and challenged at the Audit Committee. This report provided the Committee with comfort that the Group is effectively assessing, reviewing and putting plans in place to ensure the effective management of the Group's key risks. 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 CONTROL

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 over financial reporting, including over the Group's consolidation process. Internal controls are designed to provide reasonable assurance regarding 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. The feedback from the Group's internal auditor on specific areas of control that are tested on a periodic basis and a request to our external auditor to provide specific feedback and assessment of the Group's financial controls and 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. The Committee discussed and provided guidance for the programme of activity that was undertaken by the internal auditors in 2014 and looking forward on a rolling three year basis. This review included the scope of internal audit's activity and resourcing together with areas of focus and planning for the next three years. The Committee also discussed and challenged the output from the internal audit reviews undertaken in the 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.

The relationship with PwC is managed by an Internal Audit Manager and the Group Financial Controller. Reports from the Chief Financial Officer include updates on audit activities and progress of the Group audit plan. During the year, PwC focused their internal audit work on procurement, anti-bribery and corruption compliance, cash flow forecasting, cost management and capital expenditure. The internal audit report highlighted the positive engagement from the finance team in the preparation of risk and control matrices, improvements in the general control environment over the last three years, and concluded that the financial controls tested appeared to be designed and operating effectively.

EXTERNAL AUDIT

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

For the 2014 financial year the significant risks identified were in relation to the valuation of properties, deferred tax assets 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 KPMG LLP at both the half year and year end and also reports from management on how these risks are being addressed. In addition, we performed a review of auditor effectiveness. We perform this through the use of a questionnaire and discussion with management. We use this approach to gain comfort that the external auditor is duly qualified, independent and carries out their audit strategy appropriately.

For the 2014 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, each year and also assesses their independence on an ongoing basis. To maintain the objectivity of the audit process, the Group supports audit partner rotation and the external auditor is required to rotate the audit partner responsible for the Group audit every five years. The current lead audit partner, has been in place for three years. KPMG LLP has been the Group's external auditor since its stock market listing in 2000 (15 years).

Under the revised Code, the transitional provisions for audit tendering suggest that we conduct an audit tender at the end of the current audit partner's five-year term, which ends in 2016, and provide an explanation for our decision not to tender the audit prior to that date. The new EU regulations set out the requirements for mandatory audit firm rotation. Since the Group listed in 2000, and KPMG LLP has been auditor since that date, the transitional rules will require the Group to change its auditor by 16 June 2023. In the light of recent regulation changes, the Audit Committee intends to tender the audit in 2015.

In addition, as part of the Audit Committee's assessment of the independence of the auditor, the Committee receives details of any relationships between the Group and KPMG LLP that may have a bearing on their independence and receives confirmation that they are independent of the Group.

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 KPMG LLP from providing certain services such as valuation work or the provision of accounting services.

For certain specific permitted services (reporting accountant activities, tax advisory and compliance work and debt advisory services), the Committee has pre-approved that KPMG LLP 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.

Fees paid to the Group's Auditor

	2014 £m	2013 £m	2012 £m
Audit of the Company's financial statements	0.2	0.2	0.2
Audit of financial statements of subsidiaries	0.1	0.1	0.1
Audit related assurance services	0.3	–	–
Tax compliance services	0.1	0.2	0.2
Tax advisory services	0.1	0.1	0.2
Corporate finance services	–	–	0.1
Total fees	0.8	0.6	0.8
Audit services	0.3	0.3	0.3
Audit related assurance services	0.3	–	–
Non-audit related	0.2	0.3	0.5

During the year, KPMG LLP charged the Group £0.3 million for audit services. The Committee approved the fees for audit services for 2014 after a review of the level and nature of work to be performed, including the impact of acquisitions, and after being satisfied by KPMG LLP 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.

In addition to the statutory audit fee and fees for the audit of subsidiaries, KPMG LLP charged the Group a further £0.1 million for taxation compliance, £0.1 million for tax advisory services and £0.2 million for the accountant's report in relation to the placing and open offer of new shares (Capital Markets reporting). As a result of the one-off work performed on the accountant's report, non-audit services amount to over 100% of the audit services. Without these transactional fees, other non-audit fees represent 68% of the fees for audit services. The Audit Committee considers the overall levels acceptable given the transactional nature of the placing and open offer and as a significant portion of the other non-audit services relate to the provision of tax compliance services (principally assistance with corporation tax returns). The Committee considers that all of the non-audit services are most suitably performed by KPMG LLP and could not be provided as cost effectively by another professional auditing firm. No valuation or accounting services are provided by KPMG LLP. With regard to the Capital Markets reporting work in relation to the placing and open offer, it is common practice for the auditor to perform this work and, due to the nature of the work, it clearly makes sense for the auditor to do so.

The Audit Committee recognises that the level of fees for non-audit services during 2014 exceeded that of audit fees. This is as a result of the Capital Markets reporting work referred to above and therefore non-audit fees are expected to reduce in 2015.

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'.

CORPORATE GOVERNANCE
NOMINATION COMMITTEE REPORT

PHIL WHITE
NOMINATION COMMITTEE CHAIR'S OVERVIEW

The Nomination Committee helps ensure the Board has the correct balance of skills, experience, independence and knowledge.

As well as driving new appointments, it also drives Board succession planning. In discharging this responsibility, it is critical that the Nomination Committee anticipates the Group's challenges and opportunities so we can help future proof the Board with the appropriate diversity of skills and experience for the changing environment we operate in.

During the year, the Nomination Committee's focus has been on senior management skills development and our talent pipeline for future Board appointments. This helps ensure we have appropriate succession planning in place.

The only change to the Board during 2014 was the appointment of Elizabeth McMeikan, who joined us on 1 February 2014 as part of our timely succession planning for Richard Walker, and during the year we have monitored her induction.

Our 2014 independent evaluation noted that best practice was for the Chair of the Board to also chair the Nomination Committee. Accordingly, I took over the Chair of this Committee from Sir Tim Wilson effective 1 January 2015.

NOMINATION COMMITTEE OVERVIEW

Composition

The Committee is comprised entirely of Non-Executive Directors. The members of the Committee are set out on page 52 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 2014

Succession planning

The major activity of the Committee in 2014 was succession planning and to ensure we have a strong senior management base and clear talent pipeline for future Board appointments.

Review of Board composition

In addition, we reviewed the Board's composition to ensure it has the correct balance of skills, experience, independence and knowledge. Our external evaluation also considered this. We concluded that the current composition is correct having regard to our current business and longer-term plans, but recognising this should always be under review as we consider succession planning and broader market developments.

BOARD DIVERSITY

During 2014, we reviewed our Board diversity policy. We recognise that diversity at Board level and across the Group, including gender, is critical to our continued success, particularly for a business that provides homes for over 43,000 students from many different backgrounds and countries. 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 personalities, perspectives and skills. This is fundamental to understanding the needs of students living with us and providing the best customer service.

The Nomination Committee considered during 2014 whether it wanted to set specific targets for female representation on the Board or other diversity targets. The Committee continues to welcome the developments in the Code to consider diversity at Board level, but the Committee does not feel the setting of targets is necessarily in the best interests of the Group and its stakeholders. Rather, the Committee will consider gender diversity, along with all other aspects of diversity, with its more general remit to consider the balance of skills, experience, independence and knowledge when reviewing appointments to the Board.

HEALTH & SAFETY COMMITTEE REPORT

SIR TIM WILSON
HEALTH & SAFETY COMMITTEE CHAIR'S OVERVIEW

The Health & Safety Committee ensures the governance of health and safety in both our ongoing operations and our construction and development activity.

We are home to more than 43,000 students and their safety, welfare and security are critical, not only to us but also our other key stakeholders, such as parents and Universities as well as the police and fire services.

During the year, we made good progress implementing the full roll-out of our Accident and Incident Management System (AIMS) which tracks workplace safety, fire prevention, security and customer welfare support. Furthermore, we made good progress continuing the implementation of the recommendations from our 2012 Safety Audit, independently verified by Quantum Compliance during 2014. In our construction activity, we also saw improved health and safety at our development sites, with enhanced on-site contractor management resulting in a low rate of reportable and non-reportable incidents.

Following this good progress during the year, we are now looking to improve further, by continuing to embed our health and safety culture underpinned with effective policies and procedures.

HEALTH AND SAFETY COMMITTEE OVERVIEW

Composition

- Sir Tim Wilson (Chair)
- Elizabeth McMeikan
- Mark Allan

Richard Simpson, Managing Director of Property and Richard Smith, Managing Director of Operations also attend meetings of the Committee.

Role

The role of the Health & Safety Committee is to:

- Ensure that the Group's policies, procedures and working practices regarding health and safety meet or exceed legal obligations
- Annually review the Group's Health & Safety Policy
- Ensure that the Board is kept abreast of any regulatory changes in relation to health and safety and environmental issues and the impact such changes may have on the business of the Group
- Receive reports as to business unit health and safety and environmental performance, policies and arrangements and any major health and safety incidents, so as to ensure that management identifies and implements any corrective action considered appropriate

ACTIVITIES IN 2014

The major activity of the Committee in 2014 was overseeing the governance of workplace safety and fire prevention as well as health and safety risks at our developments, which are becoming an increasing priority as we start to develop more properties.

Our 2014 Quantum Compliance Health and Safety audit found continued improvement in the Group's health and safety culture. Key findings were:

- The Group understands the importance of maintaining a 'living' Health & Safety Policy. We completed the on-going process of matching roles and responsibilities with health and safety at the forefront to enable the Health & Safety Policy to be fully updated
- The function of the Safety Support Manager has now evolved with far more emphasis on providing support locally to our properties. This has been achieved with the Safety Support team becoming more proactive and responsive in how it communicates with the operational teams, which has in turn contributed to developing an improved health and safety culture
- We have improved the monthly monitoring process through better safety audits. The focus now shifts to ensuring consistency across all our properties

In our operations, we rolled out nationwide the following key H&S activities:

- 126 fire risk assessments
- Classroom-style training on fire safety awareness for over 200 operational staff across all cities in the portfolio. This covered aspects such as fire origin, fire safety measures and effective fire safety management
- A new fire safety records manual and statutory compliance file in over 125 properties

Our number of Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDORs) has reduced with three in 2014, down from five in 2013 and six in 2012.

At our development sites, where the health and safety risks increase as we roll out our development pipeline, we have enhanced our contractor processes. Contractors must provide a full-time health and safety supervisor on site who ensures weekly site support. There is also a requirement for weekly visits from a safety professional with National Examination Board in Occupational Safety and Health (NEBOSH) construction certificate qualification. We have moved to monthly site safety inspections (previously quarterly) and principal contractors are now required to attend quarterly meetings to discuss health and safety issues and best practice.

New key performance indicators were introduced to help monitor health and safety at our construction sites, with positive results. There were two reportable incidents providing an overall score of 0.15 (100,000 x no. of incidents/man hours worked) well below our KPI target of 0.3. The industry nationwide number is 304.6 reportable accidents per 100,000 operatives/employees, whereas the Unite figure is 0.78 per 100,000 operatives/employees showing we are materially lower than the industry standard. There were 18 non-reportable incidents, equating to a score of 1.34, again well below our key performance indicators target of 5.0. There is no published industry standard for non-reportable incidents.

PRIORITIES FOR 2015

The committee will continue to oversee the governance of our strategic health and safety plan for 2014-2016, continuing to focus on embedding a culture of health and safety, workplace safety and fire prevention and enhanced contractor appraisal and management procedures.

HEALTH AND SAFETY HIGH-RISE EVACUATION EXERCISE

We provided the emergency services access to the 19th floor of Sky Plaza in Leeds, one of the tallest buildings in the city and home to 1,497 students.

The exercise involved ten fire engines and 50 fire service employees who conducted an emergency evacuation using actors and simulating fire with smoke bombs. The exercise provided valuable high-rise evacuation training for local firefighters.

The safety of our students is of the highest importance and this exercise allowed the local fire services the opportunity to get a better understanding of our buildings and our fire procedures, should an evacuation ever be necessary when the buildings are in occupation.

Kathryn Fielding, Service and Safety Adviser in Leeds said, ‘It was a great event which really tested our emergency services response. It also helped us to build relationships with our local emergency services teams.’

ANNUAL STATEMENT OF THE CHAIR OF THE REMUNERATION COMMITTEE

ELIZABETH McMEIKAN
REMUNERATION COMMITTEE CHAIR'S OVERVIEW

DEAR SHAREHOLDER,

On behalf of the Board, it is my pleasure to present the Directors Remuneration Report for 2014, my first year as Chair of the Remuneration Committee.

Similar to last year, this report is split into three sections: the Annual Statement, the Policy Report and the Annual Report on Remuneration. Our remuneration policy, detailed on pages 64 – 71, remains consistent with that approved by shareholders at the 2014 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.

Unite has continued to perform strongly across all areas in 2014. Our financial performance has been headlined by growth in recurring profits (up 44% on a recurring basis and 9% overall), NAV up 13.6% to 434pps (equating to a 15.0% total return on equity) and dividend up 133% to 11.2pps, together with a further strengthening of the Group's capital structure evidenced by a reduction in see-through LTV (down to 43%). For more detail, please see the Financial highlights on page 1 and Key Performance Indicators on page 24 and 25.

The Committee's key decisions during the year related to the following areas:

REVIEW OF BASE SALARIES

Towards the end of the year the Committee undertook a detailed review of the salaries of our Executive Directors. This review took into account a number of factors including external benchmarking against comparable companies, an assessment of individual experience and performance, and pay conditions across the Group. Following this review, the Committee agreed that basic salaries for Executive Directors will increase by 2.5%, effective March 2015. Across the organisation, salary increases for 2015 will average 2.5%, with higher increases to around 200 employees following the Company's commitment to pay a Living Wage (see page 68).

ANNUAL BONUS OUTCOMES FOR THE FINANCIAL YEAR

Following another outstanding year, Executive Directors will receive bonuses of 128.8% of their respective base salaries (against a maximum of 144% of salary). The proposed bonuses reflect both the strong financial performance of the group and the exceptional individual contributions made by each of the Executive Directors over the last year. As in 2013, having carefully considered performance against individual objectives, as well as the performance of the Group as a whole, the Committee approved a maximum personal performance multiplier for each Executive Director. A summary of the key achievements by individual is included on page 74.

LONG-TERM INCENTIVES

As outlined in our 2013 report, Executive Directors were each granted an award under the Long-Term Incentive Plan (LTIP) during the year based on performance over the three financial years to 31 December 2016. These awards will vest to the extent that challenging Earnings per Share (EPS), Total Return (TR) and relative Total Shareholder Return (TSR) targets are achieved over the period, with one-third of any award vesting required to be held for an additional year.

Performance share awards made in 2012 vested on performance to 31 December 2014. These awards were based on net asset value, net portfolio contribution and TSR outperformance of the FTSE 350 Real Estate. The Company exceeded maximum targets for both the NPC and TSR elements, with strong NAV performance resulting in 86% of maximum for that element vesting. The Committee is satisfied that the implied vesting level reflects the underlying performance of the Company. Consistent with the rules of the plan, these awards will vest in tranches with two-thirds released on the third anniversary of grant, and the remaining one-third being released after a further year-long holding period.

ADJUSTMENTS FOLLOWING PLACING

During the year, Unite raised £96 million through a share placing and open offer (hereafter 'placing'). Following the placing, the Remuneration Committee evaluated the potential impact on the outcomes of short- and long-term incentives in respect of 2014 performance and made a number of adjustments to ensure executive incentives were neutral to the capital raise. Consequently, actual outcomes for both operating cash flow and see-through LTV under the annual bonus, and NPC under the 2012 LTIP, have been adjusted downwards, and further details of these changes can be found in the relevant sections on pages 74 and 75. The Committee intends to make a similar adjustment to the actual NPC outcome in respect of the 2013 LTIP next year.

REVIEW OF REMUNERATION POLICY

During the year the Committee considered Unite's remuneration policy and concluded that the current structure – made up of base salary and benefits, a bonus plan and a single LTIP – continued to be appropriate.

For 2015, the annual bonus will operate on the same basis as in previous years, save for a minor change to the 'corporate' performance measures, where it is intended that operating cash flow and LTV targets will be replaced with a single measure of 'Net debt to EBITDA ratio' which essentially combines the two metrics but measures borrowing levels relative to cash generation rather than property values, which the Committee considers to be more appropriate. No changes are proposed to the LTIP in 2015, which will continue to be based on an equal blend of EPS, TR and relative TSR, with a mandatory one year holding period for one-third of any vested shares.

Further detail on the implementation of policy for 2015, including rationale for the proposed annual bonus change, is included on page 78.

AREAS FOR FUTURE CONSIDERATION

The Committee will continue to monitor market trends throughout 2015 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. The appropriateness of clawback will be considered by the Committee in time for our next policy vote.

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) (Amendment) Regulations 2013. 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 73 – 75), Scheme interests awarded during the financial year (page 77) Payments to past directors (page 77), Payments for loss of office (page 77) and the statement of directors' shareholdings and share interests (pages 80 and 81). The remaining sections of the report are not subject to audit.

Unite's remuneration policy was approved by shareholders at the 2014 AGM. The report below is as disclosed in the 2013 Directors' Remuneration Report save for a number of minor changes as follows:

- Clawback' has been clarified to mean 'malus' in line with commonly accepted market terminology
- References to financial years have been updated where appropriate
- Pay for performance scenario charts have been updated to reflect 2015 salaries
- Current Non-Executive Director appointment expiry dates have been updated
- Details of the Living Wage, paid as a minimum to all employees, have been included

POLICY TABLE

Function	Operation
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.
Pension To provide an opportunity for Executives to build up income on 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.
Benefits To provide non-cash benefits which are competitive in the market in which the Executive is employed.	Executives receive benefits which consist primarily of the provision of a company car or a car allowance and private health care insurance, although they can include any such benefits that the Committee deems appropriate.
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 or five years. Options granted at a 20% discount.

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, whilst at the same time rewarding exceptional performance. The Committee has designed a remuneration policy that balances those factors, taking account of prevailing best practice, investor expectations and the level of remuneration and pay awards made generally to employees of the Group.

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

- A significant proportion of remuneration should be tied to the achievement of specific and stretching performance conditions that align remuneration with the creation of shareholder value and the delivery of the Group's strategic 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 2014 AGM. The Policy came into effect from 1 January 2015.

Opportunity	Performance metrics
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 they remain market competitive.	None.
Executive Directors receive a pension contribution of 20% of salary or an equivalent cash allowance.	None.
Benefits vary by role and individual circumstances; eligibility and cost is reviewed periodically. The Committee retains the discretion to approve a higher cost in exceptional circumstances (eg relocation) or in circumstances where factors outside the company's control have changed materially (eg increases in insurance premiums).	None.
Savings are capped at the prevailing HMRC limit at the time employees are invited to participate.	None.

POLICY TABLE CONTINUED

Function	Operation
Performance Related Annual Bonus To incentivise and reward strong performance against financial and non-financial annual targets, thus delivering value to shareholders and being consistent with the delivery of the strategic plan.	Performance measures, targets and weightings are set at the start of the year. The scheme has two elements: a 'corporate' element and an 'individual' multiplier element. At the end of the year the Remuneration Committee determines the extent to which targets have been achieved. Bonus payments are delivered in cash unless an individual's shareholding requirements have not been met, in which case up to 50% of the annual bonus payable to the relevant Director is satisfied by an allocation of shares in the Company, which are held in its Employee Share Ownership Trust (ESOT)and are subject to malus provisions.
LTIP To drive sustained long-term performance that supports the creation of shareholder value.	The LTIP comprises of a Performance Share Plan (PSP) and an Approved Employee Share Option Scheme (ESOS). The ESOS is used to deliver a proportion of the LTIP in a tax-efficient manner and is subject to the same performance conditions as awards made under the PSP. Award levels and performance conditions are reviewed before each award cycle to ensure they remain appropriate and no less stretching than the first cycle. Malus provisions will apply on unvested LTIP shares in the event of gross misconduct, material misstatement, if a mistake has been made in calculating vesting for a previous award or in any other circumstance that the Committee considers appropriate.

Opportunity	Performance metrics
For Executive Directors the maximum annual bonus opportunity is 144% of base salary, comprising: • A maximum bonus under the corporate element of 120% of salary; achieving on-target performance warrants a bonus equivalent to 70% of salary • A maximum multiplier under the individual element of 1.2, with a range of zero to 1.2 For threshold level performance the bonus will be 50% of base salary.	Performance is assessed on an annual basis as measured against specific objectives set at the start of each year. The measures include financial and non-financial metrics as well as the achievement of personal objectives. Corporate measures will be weighted appropriately each year according to business priorities. Measures may include, but are not limited to, adjusted earnings, EPS, NAV growth, cash flow, LTV gearing and customer satisfaction. Weightings of individual measures may vary between 10% and 50%, with the range of performance required under each measure calibrated with reference to Unite's internal budgets. Financial measures will make up at least 75% of the total opportunity under the corporate element. The individual element is based on the strength of an executive's personal performance over the course of the year, as measured by the twice-yearly Performance Development Programme review. The Committee has discretion to adjust the formulaic bonus outcomes both upwards (within the plan limits) and downwards (including down to zero) to ensure alignment of pay with performance, eg 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 (eg H&S) to ensure there is no reward for failure. Further details of the measures, weightings and targets applicable are provided on page 74 and 75.
The LTIP provides for an award up to a normal aggregate limit of 150% of salary for Executive Directors, with an overall limit of 200% of salary in exceptional circumstances. For LTIP participants below Board level the maximum annual LTIP opportunity is capped at 100% of base salary. Awards may include a grant of HMRC approved options not exceeding £10k pa valued on a fair value exchange (currently 50–60% of a PSP award). The Committee has the discretion to authorise a payment, in cash or shares, equal to the value of dividends which would have accrued on vested shares during the vesting period.	Vesting of LTIP awards is subject to continued employment and performance against three equally-weighted measures, which are currently as follows: • Adjusted EPS • TR • Relative TSR The Committee has the discretion to adjust the performance measures to ensure that they continue to be linked to the delivery of the Company strategy. Under each measure threshold performance will result in 25% of maximum vesting for that element, rising on a straight-line basis to full vesting. Awards made under the LTIP will have a performance period of at least three years and a minimum vesting period of three years. If no entitlement has been earned at the end of the relevant performance period, awards will lapse. Vesting of awards may, at the discretion of the Committee, be deferred in whole or in part for a period of up to two years following the end of a three-year vesting period. The Company's current policy is for awards to vest two-thirds after three years with the remaining one-third deferred for an additional year. As under the Performance Related Annual Bonus the Committee has discretion to adjust the formulaic LTIP outcomes to ensure alignment of pay with performance, ie to ensure the outcome is a true reflection of the performance of the Company. Details of the targets to be used in future LTIP grants are included in the Annual Report on Remuneration.

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

The measures used under the annual bonus plan are selected annually to reflect the Group's main objectives for the year and reflect both financial and non-financial priorities. Following a review and consistent with changes made to performance measures under the LTIP, the Committee determined that the adjusted earnings measure under the annual bonus would be replaced with EPS from 2014 onwards.

The Committee considers the combination of measures in the LTIP to be appropriate. The Committee reviewed the performance measures during 2013 to ensure that they are fully aligned with our strategy and with shareholders' interests. Following the review the Committee concluded that an adjusted EPS measure would be more closely aligned with the Group's strategic plans and with the profit attributable to shareholders. Similarly, the Committee resolved that a TR measure would improve alignment between Executives' and shareholders' interests. Consequently, for LTIP awards made from 2014 the NPC and NAV growth measures will be replaced by measures of adjusted EPS and TR respectively. Relative TSR is considered to remain the best measure to capture creation of shareholder value and rewards management for outperformance of the Company's peers.

Targets applying to the 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 annual bonus target performance typically requires meaningful improvement on the previous year's outturn, and for financial measures targets are typically in line with the upper end of market consensus.

Remuneration policy for other employees

Unite's approach to annual salary reviews is consistent across the Group with consideration given to the level of experience, responsibility, individual performance and salary levels in comparable companies.

All employees are eligible to participate in an annual bonus scheme with similar metrics to those used for the Executive Directors. Opportunities and specific performance conditions vary by organisational level with business area-specific metrics incorporated where appropriate.

Senior managers (c.25 individuals) are eligible to participate in the LTIP. Performance conditions are consistent for all participants, while award sizes vary by organisational 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 Save As You Earn (SAYE) scheme on the same terms.

With effect from March 2015, all employees will be paid, as a minimum, the Living Wage.

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 held conditionally pursuant to LTIP awards) equivalent to 200% of base salary for the Chief Executive and 150% of base salary for each of the other Executive Directors. Until the relevant shareholding levels are acquired 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 ESOT. Subject to the Directors' continued employment within the Group such shares are transferred to the Director on the third anniversary of the original allocation. Details of the Executive Directors' current personal shareholdings are provided in the Annual Report on Remuneration.

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 J 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 2015 in the cases of Phil White and Manjit Wolstenholme; at the Annual General Meeting in 2016 in the case of Andrew Jones; and at the Annual General Meeting in 2017 in the cases of Elizabeth McMeikan and Sir Tim Wilson. The appointment and re-appointment and the remuneration of Non-Executive Directors are matters reserved for the full Board.

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

Details of the policy on fees paid to our Non-Executive Directors are set out in the table on page 73.

NON-EXECUTIVE DIRECTOR POLICY TABLE

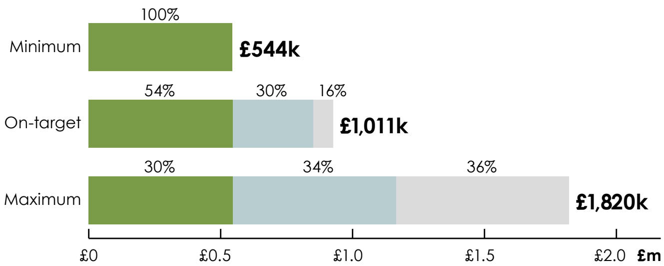
Function	Operation	Opportunity	Performance metrics
Fees To attract and retain Non-Executive Directors of the highest calibre with broad commercial and other experience relevant to the Company.	Fee levels are reviewed annually, with any adjustments effective 1 January in the year following review. The fees paid to the Chairman are determined by the Committee, whilst the fees of the Non-Executive Directors are determined by the Board. Additional fees are payable for acting as Senior Independent Director and as Chairman of any of the Board's Committees (Audit, Remuneration, Nomination and Health & Safety). Fee levels are benchmarked against sector comparators and FTSE-listed companies of similar size and complexity. Time commitment and responsibility are taken into account when reviewing fee levels.	Non-Executive Director fee increases are applied in line with the outcome of the annual fee review. Fees for the year commencing 1 January 2015 are set out in the Annual Report on Remuneration. Fee levels will next be reviewed during 2015, with any increase effective 1 January 2016. It is expected that increases to Non-Executive Director fee levels will be in line with salaried employees over the life of the policy. However, in the event that there is a material misalignment with the market or a change in the complexity, responsibility or time commitment required to fulfil a Non-Executive Director role the Board has discretion to make an appropriate adjustment to the fee level.	None

PAY FOR PERFORMANCE SCENARIOS

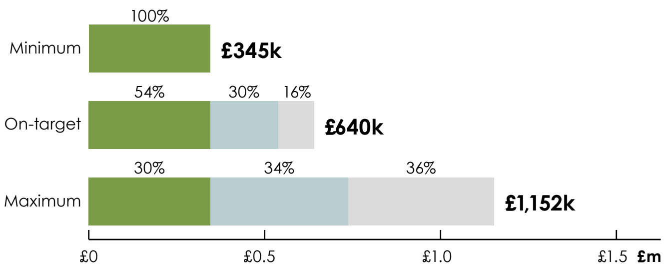
The charts below provide an illustration of the potential future reward opportunities for the Executive Directors, and the potential split between the different elements of remuneration under three different performance scenarios: 'Minimum', 'On-target' and 'Maximum'.

Potential reward opportunities are based on Unite's remuneration policy, applied to the base salaries effective 1 March 2015. The annual bonus and LTIP are based on the level of maximum opportunities applied in FY2014. 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 (ie, the scenarios exclude the impact of any share price movement over the period).

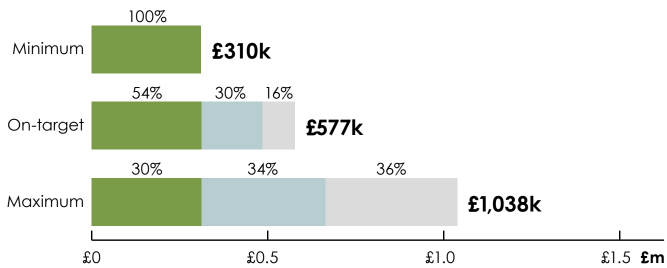
Mark Allan



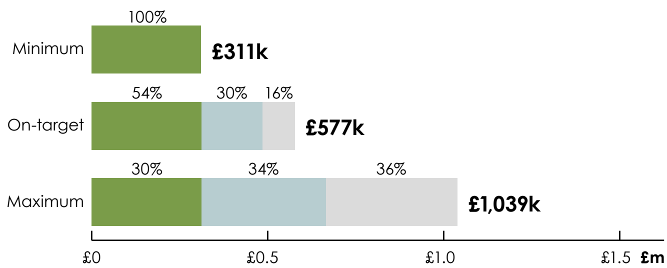
Joe Lister



Richard Simpson



Richard Smith



- Salary, pension and benefits
- Annual bonus
- LTIP

The 'minimum' scenario reflects base salary, pension and benefits (ie 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

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 in line with existing policy.	
Benefits **SAYE**	New appointees will be eligible to receive benefits which may include (but are not limited to) the provision of a company car or cash alternative, private medical insurance and any necessary relocation expenses. New appointees will also be eligible to participate in all-employee share schemes.	
Performance Related Annual Bonus	The structure described in the policy table will apply to new appointees with the relevant maximum being pro-rated to reflect the proportion of employment over the year. Targets for the individual element will be tailored to each executive.	144% of salary
LTIP	New appointees will be granted awards under the LTIP on the same terms as other Executives, as described in the policy table. The normal aggregate limit of 150% of salary will apply, save in exceptional circumstances where up to 200% of salary may be awarded.	200% of salary

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

INTERNAL PROMOTION

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 68. 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 69. 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 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 plus benefits only. Executive Director service contracts are available to view at the Company's registered office.

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:

Executive	Date of service contract
M C Allan	31 October 1999
J J Lister	28 March 2002
R C Simpson	28 September 2011
R S Smith	28 September 2011

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. Effective 1 August 2014, Mark Allan became a Trustee Director of Anchor Trust for which he will retain fees of £25,000 pa. None of the other Executive Directors currently hold external appointments.

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 Operations HR 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. Following feedback from shareholders the Committee has replaced NPC with adjusted EPS in the LTIP for awards going-forward. 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.

Reason for leaving	Calculation of vesting / payment
Annual bonus	
Resignation	No annual bonus payable.
'Good' leaver[1] Change of control	Cash bonuses will only be paid to the extent that financial and individual objectives set at the beginning of the year have been met. Any resulting bonus will be prorated for time served during the year.
LTIP	
Resignation	Outstanding awards lapse
'Good' leaver[1] Change of control	The Committee determines whether and to what extent outstanding awards vest based on the extent to which performance conditions have been achieved and the proportion of the vesting period worked. 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). 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.

ANNUAL REPORT ON REMUNERATION

The following section provides details of how Unite's remuneration policy was implemented during the financial year ending 31 December 2014.

REMUNERATION COMMITTEE MEMBERSHIP IN 2014

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
- 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 www.unite-group.co.uk. As of 31 December 2014 the Remuneration Committee comprised five independent Non-Executive Directors:

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

Certain Executives, including Mark Allan (Chief Executive) and Ruth George (Operations HR Director) are, from time to time, invited to attend meetings of the Committee, and the Company Secretary, Christopher Szpojnarowicz, acts as secretary to the Committee. No individuals are involved in decisions relating to their own remuneration. The Remuneration Committee met four times during the year and details of members' attendance at meetings are provided in the Corporate Governance Statement on page 51.

Key activities of the Remuneration Committee in 2014 were as follows:

- Considered remuneration market trends and corporate governance developments
- Conducted a benchmarking exercise on Executive Directors' salaries and total remuneration
- Reviewed and approved the Executive Directors' performance against 2014 annual objectives; determined bonuses payable
- Approved share awards for 2014
- Considered appropriate adjustments to performance outcomes resulting from the placing
- Reviewed and approved salary increases for the Executive Directors and senior management for 2015
- Determined the Executive Director's bonus and LTIP performance targets for 2015 in line with the Company's strategic plan
- Reviewed and approved the Chairman's fee
- Prepared the Directors' Remuneration Report
- Reviewed a long-term bonus plan for the Development team

ADVISERS

During the year the Committee undertook a competitive tender process and elected to retain Kepler Associates ('Kepler') as its independent adviser. 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 2014 Kepler provided independent advice on remuneration policy and the external remuneration environment; salary and total remuneration benchmarking data; and performance testing for LTIPs. 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 in 2014 were £40,760 on the basis of time and materials.

SUMMARY OF SHAREHOLDER VOTING AT THE 2014 AGM

The following table shows the results of the advisory vote on the 2013 Remuneration Report at the 2014 AGM:

	Remuneration Policy		Annual Report on Remuneration	
For (including discretionary)	158,927,995	99.8%	109,381,245	98.9%
Against	392,576	0.2%	1,244,718	1.1%
Total votes cast (excluding withheld votes)	159,320,571		110,625,963	
Votes withheld	423,489		49,118,097	
Total votes cast (including withheld votes)	159,744,060		159,744,060	

Whilst the overall level of shareholder support was broadly similar to the prior year, some shareholders expressed concern regarding the treatment of performance targets following the 2013 share placing. Given this feedback, the Committee has made appropriate adjustments to 2014 incentive outcomes to ensure that Executive Directors are neutral to the placing which happened during the year.

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 2014 and the prior year:

	Mark Allan		Joe Lister		Richard Simpson		Richard Smith	
	2014 £	2013 £	2014 £	2013 £	2014 £	2013 £	2014 £	2013 £
Salary	421,679	411,396	266,813	260,313	240,667	234,791	240,667	234,791
Taxable benefits[1]	23,536	31,084	15,167	15,045	13,000	13,000	13,940	13,787
Pension benefit[2]	74,109	72,303	73,902	47,308	46,668	46,958	46,668	46,005
Annual bonus[3]	545,170	499,950	344,950	316,350	311,150	285,330	311,150	285,330
LTIP[4]	1,376,087	904,834	876,986	529,549	663,369	245,421	663,369	263,317
Other[5]	37,858	24,167	23,899	14,144	22,424	6,071	17,924	6,513
Total	2,478,439	1,943,734	1,601,716	1,182,709	1,297,278	831,571	1,293,718	849,743

1 Taxable benefits consist primarily of company car or car allowance and private health care insurance. The figures above include car benefits of £22,573, £14,000, £13,000 and £13,000 for Messrs. Allan, Lister, Simpson and Smith respectively.

2 Pension figures include contributions to the Unite Group Personal Pension Scheme and cash allowances, where applicable. The figure for Joe Lister includes an overpayment of £23,137 in respect of contributions made in 2014 which will be rectified during the 2015 financial year.

3 Payment for performance during the year. For 2014, Mark Allan, Joe Lister and Richard Simpson, having already reached their share ownership guidelines, received 100% of their bonus awards in cash. Richard Smith received 50% of his 2014 bonus award by way of a deferred allocation of shares through the Company's ESOT. See following sections for further details.

4 LTIP awards granted in 2011, and which vested based on performance to 31 December 2013, are valued using the market prices at the date of vesting (26 June 2014 in respect of Mark Allan and Joe Lister, and 5 October 2014 in respect of Richard Simpson and Richard Smith) of 395.0p and 426.5p respectively. These amounts have been revised from last year's report to reflect the actual share prices on the dates of vesting. For the 2012 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 2014 of 438.0p. See following sections for further details.

5 'Other' includes the embedded value of SAYE options at grant and cash payments in lieu of dividends for vested 2012 LTIP awards.

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 2014 and the prior year:

	Base fee		Committee Chair fees		Senior Independent Director fee		Total	
	2014 £	2013 £	2014 £	2013 £	2014 £	2013 £	2014 £	2013 £
P M White	124,000	118,000	–	–	–	–	124,000	118,000
R S Walker[1]	16,325	41,000	5,547	10,566	–	–	21,872	51,566
R J T Wilson	43,000	41,000	10,329	6,000	–	–	53,329	47,000
M K Wolstenholme	43,000	41,000	8,925	8,500	5,000	3,166	56,925	52,666
A Jones	43,000	37,583	–	–	–	–	43,000	37,583
E McMeikan[2]	39,417	–	5,673	–	–	–	45,090	–

1 The fees paid to Richard Walker for 2014 relate to the period 1 January 2014 to 15 May 2014 when he stepped down from the Board. Richard was replaced by Elizabeth McMeikan as Chair of the Remuneration Committee, and by Sir Tim Wilson as Chair of the Health & Safety Committee.

2 Elizabeth McMeikan joined the Board on 1 February 2014.

INCENTIVE OUTCOMES FOR THE YEAR ENDED 31 DECEMBER 2014 (AUDITED)

Performance Related Annual Bonus in respect of 2014 performance

The 2014 annual bonus consists of two elements, corporate and individual. The corporate element of the bonus is calculated on a sliding scale up to a maximum of 120% of base salary, in accordance with which 'on target' performance by the Group results in a corporate bonus of an amount equivalent to 70% of base salary. To determine the actual bonus payment to an Executive Director, a multiplier (being the 'individual' element of the scheme) ranging between zero and 1.2 is applied against the corporate bonus.

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

The performance related bonuses awarded in respect of 2014 reflect corporate bonuses of 107.3% of base salary. After applying individual multipliers, actual performance related bonus payments awarded to the Executive Directors were 128.8% of their respective base salaries (89.4% of their maximum bonus opportunities). Further details, including the targets set and performance against each of the metrics, are provided in the tables below:

Corporate element outcomes

	Measure	Wgt.	Original performance targets 'Threshold' 50% of salary	'Target' 70% of salary	100% of salary	'Stretch' 120% of salary	Actual	Vest (% salary)
Financial	Adjusted EPS	25.0%	14.95p	15.2p	15.58p	15.82p	17.2p	30.0%
	TR per share	25.0%	38.2p	42.8p	49.7p	54.3p	57.4p	30.0%
	Operating cash flow	12.5%	£16.1m	£17.9m	£20.6m	£22.4m	£22.1m[1]	14.6%
	LTV gearing	12.5%	49%	48%	47%	46%	46.9%[1]	12.7%
Non-financial	Customer satisfaction	25.0%	72	74	77	79	75	20.0%
Total corporate vesting (% of salary)								107.3%

1 After adjustment for placing, see details below.

Individual element outcomes

Executive	Achievements during the year included:	Personal multiplier
M C Allan	• All Group financial and non-financial targets met or exceeded • Oversaw successful development and launch of the Group's Home for Success purpose • Continued strengthening of senior management team, primarily through internal development and succession • Oversaw successful execution of important steps in delivering the Group's strategic plan	1.2x
J J Lister	• All finance related targets met or exceeded for the year • Conclusion of major refinancing activity and establishment of long term capital strategy • Successful restructuring of finance team to enhance efficiency and accountability • Successful capital raise in USAF which facilitated an accretive portfolio acquisition by the fund	1.2x
R C Simpson	• All Property related targets met or exceeded for the year • Oversaw continued growth in the Group's secured development pipeline • Oversaw the successful sale of assets from the OCB joint venture and subsequent merger of UCC and LSAV • Led the successful acquisition of the Cordea Savills Student Hall Fund portfolio by USAF	1.2x
R S Smith	• All Operations related targets met or exceeded for the year • Oversaw the successful development, launch and initial roll-out of the Group's Home for Success initiative • Continued to develop the capability of the Operations management team, resulting in higher and more consistent levels of service delivery across the business • Oversaw continued development of strategic relationships with key University partners	1.2x

Overall bonus outcomes

Executive	Corporate vesting	Personal multiplier	Overall bonus outcome (% of salary)	(% of maximum)	£
M C Allan	107.3%	1.2x	128.8%	89.4%	£545,170
J J Lister		1.2x	128.8%	89.4%	£344,950
R C Simpson		1.2x	128.8%	89.4%	£311,150
R S Smith		1.2x	128.8%	89.4%	£311,150

Mark Allan, Joe Lister and Richard Simpson, having already reached their share ownership guidelines, will receive 100% of their bonus awards in cash. Richard Smith will receive 50% of his bonus awards by way of a deferred allocation of shares through the Company's ESOT.

During the year, Unite raised £96 million through a share placing and open offer. Following the placing, the Remuneration Committee evaluated the potential impact on the outcomes of the Performance Related Annual Bonus in respect of 2014 performance and adjusted the actual outcomes for both operating cash flow and see-through LTV to hold Executive bonuses neutral to the capital raise, as follows;

- Actual operating cash flow was reduced by £2.4 million to neutralise the impact on cash flow of a higher stake in USAF
- Actual see-through LTV was increased by 4% to account for additional net cash on the balance sheet awaiting deployment

No adjustment were made to Adjusted EPS or TR measures which are, as 'per share' measures, already neutral to the capital raise.

The Committee is satisfied that the overall bonus outcomes detailed above are a fair reflection of each individual's performance during the year.

2012 LTIP VESTING (VESTED ON PERFORMANCE TO 31 DECEMBER 2014)

Awards in 2012 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; NAV per share growth, Net Portfolio Contribution (NPC) 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 is provided in the table below:

Measure	Weighting	Targets	Outcome	Vest %
Net Asset Value (NAV) per share	1/3	0% vesting below 6% pa (379 pence) 25% vesting for 6% pa (379 pence) 100% vesting for 12% pa (447 pence) or more Straight-line vesting between these points	434 pence	85.66%
Net Portfolio Contribution (NPC) in 2014	1/3	0% vesting below £23.5m 25% vesting for £23.5m 100% vesting for £31.5m or more Straight-line vesting between these points	£35.3m[1]	100%
TSR outperformance of the FTSE 350 Real Estate (Super Sector) Index	1/3	0% vesting if Group underperforms the Index 25% vesting for matching the Index 100% vesting for outperforming Index by 9% pa Straight-line vesting between these points	Index +14.9% pa (172% return)	100%
Total LTIP vesting (sum product of weighting and vest %)				95.22%

[1] After adjustment for placing, see details below.

The performance period for the each of the elements ended on 31 December 2014. 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
M C Allan	329,947	95.22%	314,175	10 April 2015 (2/3) 10 April 2016 (1/3)	438.0p	£1,376,087
J J Lister	210,276		200,225			£876,986
R C Simpson	159,057		151,454			£663,369
R S Smith	159,057		151,454			£663,369

As detailed above, in light of the placing the Committee evaluated the potential impact on the outcomes of the LTIP in respect of 2014 performance and adjusted downwards the actual outcome for NPC by £3.4m to account for increased investment in USAF. No adjustments were made to NAV per share which is already neutral to the capital raise, or to TSR which is not directly impacted by the placing.

In line with regulations, the value disclosed above and in the single total figure of remuneration table on page 73 captures the full number of interests vesting (ie 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 2014 of 438.0 pence. The actual value at vesting will be trued-up in the 2015 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 'Other' in the single total figure of remuneration table on page 73, and amounted to £37,858, £23,899, £22,424 and £17,924 for Messrs. Allan, Lister, Simpson and Smith respectively.

PERCENTAGE CHANGE IN CHIEF EXECUTIVE OFFICER 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 Chief Executive Officer's remuneration includes base salary, taxable benefit and annual bonus. The pay for all other employees is calculated using the increase in the earnings of full-time employees for tax years 2013 and 2014. The analysis excludes part-time employees and is based on a consistent set of employees, ie the same individuals appear in the 2013 and 2014 populations.

	CEO			All employees
	2014 £	2013 £	% change 2013 – 14	% change 2013 – 14
Base salary	**421,679**	411,396	2.5%	2.7%
Taxable benefits	**23,536**	31,084	(24.3)%	(29.0)%
Annual bonus	**545,170**	499,950	9.0%	9.0%

RELATIVE IMPORTANCE OF SPEND ON PAY

The table below shows shareholder distributions (ie dividends and share buybacks) and total employee pay expenditure for the financial years ended 31 December 2013 and 31 December 2014, along with the percentage change in both.

	2014 £m	2013 £m	% change 2013 – 14
Total employee pay expenditure	**36.3**	31.6	15%
Distributions to shareholders	**22.5**	8.5	165%

The Directors are proposing a final dividend in respect of the financial year ended 31 December 2014 of 9.0 pence per ordinary share.

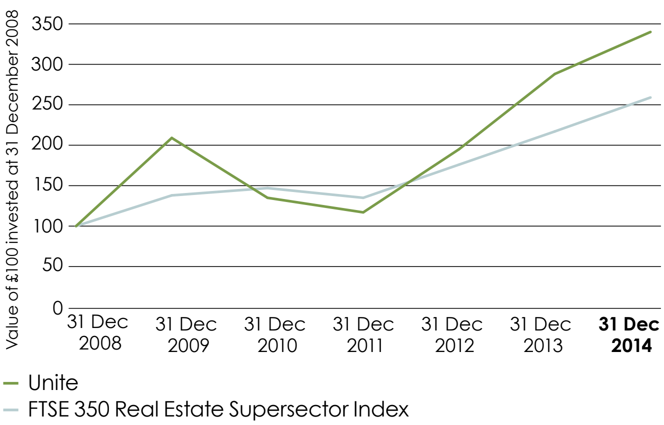
Employee remuneration excludes social security costs.

REVIEW OF PAST PERFORMANCE

The following graph charts the TSR of the Company and the FTSE 350 Real Estate Supersector Index over the six-year period from 1 January 2009 to 31 December 2014. Whilst there is no comparator index or group of companies that truly reflects the activities of the Group, the FTSE 350 Real Estate Supersector Index (the constituent members of which are all property holding and/or development companies or real estate investment trusts within the UK) was chosen as it reflects trends within the UK property market generally and tends to be the index against which analysts judge the performance of the Company.
The table below details the Chief Executive's 'single figure' remuneration over the same period.

HISTORICAL TSR PERFORMANCE

Growth in the value of a hypothetical £100 holding over the 6 years to 31 December 2014



	2009	2010	2011	2012	2013	**2014**
CEO single figure of remuneration (£000)	£665,313	£687,175	£1,475,577	£993,754	£1,943,734	**£2,478,438**
Short-term incentive award rates against maximum opportunity	42.0%	43.4%	75.8%	63.4%	84.0%	**89.4%**
Long-term incentive award rates against maximum opportunity	0.0%	0.0%	82.4%	26.3%	83.1%	**95.2%**

SCHEME INTERESTS AWARDED IN 2014 (AUDITED)

LTIP

In April 2014 Executive Directors were granted awards under the LTIP with a maximum face value of c.150% of their respective 2014 salaries. The three-year performance period over which performance will be measured began on 1 January 2014 and will end on 31 December 2016. Two-thirds of each Executive's awards is eligible to vest on the third anniversary of the date of grant (ie 10 April 2017), with the remaining one-third vesting after an additional holding period of one year.

Executive Director	Date of grant	Shares over which awards granted[1]	Market price at date of award	Face value
M C Allan	10 April 2014	150,174	428.5p	£643,496
J J Lister		95,753		£410,302
R C Simpson		86,566		£370,935
R S Smith		86,566		£370,935

[1] Combination of HMRC approved options under the ESOS (2,333) and nil cost options under the PSP calculated using a share price of 428.5 pence, being the closing mid-market price on the day the awards were calculated.

As foreshadowed in the 2013 Directors' Remuneration Report, following feedback from shareholders the Committee made a small number of evolutionary changes to the performance measures governing vesting of the LTIP awards. Consequently, vesting of 2014 awards is dependent on three equally-weighted measures over a three-year performance period: TR per share (previously NAV), EPS (previously NPC) and TSR outperformance of the FTSE 350 Real Estate Supersector 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
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
TR per share pa (2014 – 2016)	1/3	0% vesting below 8.5% pa 25% vesting for 8.5% pa 100% vesting for 14.5% pa or more Straight-line vesting between these points
TSR outperformance of the FTSE 350 Real Estate (Super Sector) Index (2014 – 2016)	1/3	0% vesting if Group underperforms the Index 25% vesting for matching the Index 100% vesting for outperforming Index by 9% pa Straight-line vesting between these points

EXIT PAYMENTS MADE IN THE YEAR (AUDITED)

No exit payments were made in the year.

PAYMENTS TO PAST DIRECTORS (AUDITED)

Details of awards vesting to John Tonkiss under the 2011 LTIP were included in the 2013 Annual Report on Remuneration.

IMPLEMENTATION OF EXECUTIVE DIRECTOR REMUNERATION POLICY FOR 2015

Base salary

Market positioning of base salary is approached on an individual basis, taking account of advice received from the Committee's independent advisers on the rates of salary for similar roles in selected groups of comparable companies and the individual performance and experience of each Executive. The aim is for base salary to be set with reference to the market median, dependent on the Committee's view of individual and Group performance.

The Committee approved the following base salary increases with effect from 1 March 2015:

Executive Director	Base salary from 1 March 2014 to 28 February 2015	Base salary from 1 March 2015 to 28 February 2016	Percentage increase
M C Allan	£423,400	£434,000	2.5%
J J Lister	£267,900	£274,600	2.5%
R C Simpson	£241,650	£247,700	2.5%
R S Smith	£241,650	£247,700	2.5%

A salary increase averaging 2.5% across the Group was awarded at the annual pay review.

Pension

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

Performance Related Annual Bonus

The Performance Related Annual Bonus for the 2015 financial year will operate on broadly the same basis as in 2014. The Committee has approved a maximum bonus opportunity for each Executive of 144% of salary, consisting of a maximum of 120% of salary under the 'corporate' element and a maximum individual multiplier of 1.2x.

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

For 2015, 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 replace the existing operating cash flow and LTV targets with a single measure of 'Net debt to EBITDA ratio', weighted 25%. This change will help to further simplify the scheme and provide robustness against sector cyclicality going-forward, whilst still promoting strong cash flow generation and sustainable leverage. Proposed target levels have been set to be challenging relative to the 2015 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 retrospectively in the 2015 Directors' Remuneration Report.

LTIP

For 2015 the LTIP will continue to operate on the same basis as in the 2014 financial year. Executive Directors will each receive an award equivalent to 150% 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
2017 Adjusted Earnings Per Share (EPS)	1/3	0% vesting below 23.7 pence 25% vesting for 23.7 pence 100% vesting for 31.5 pence or more Straight-line vesting between these points
TR per share pa (2015 – 2017)	1/3	0% vesting below 9% pa 25% vesting for 9% pa 100% vesting for 15% pa or more Straight-line vesting between these points
TSR outperformance of the FTSE350 Real Estate Supersector 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% pa Straight-line vesting between these points

Any awards vesting will be released two-thirds after three years with the remaining one-third deferred for an additional year. Further details of the grant date and number of interests awarded will be disclosed in the 2015 Annual Report on Remuneration.

IMPLEMENTATION OF NON-EXECUTIVE DIRECTOR REMUNERATION POLICY FOR 2015

Chairman and Non-Executive Director Fees

During the final quarter of 2014, 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 £43,000 pa to £44,100 pa and that additional fees should be increased by a similar rate. The Committee, in considering similar factors, determined that the fee payable to the Chairman of the Board should be increased from £124,000 pa to £127,100 pa Each of these fee increases are at 2.5% in line with increases for employees across the Group. A summary of the fee increases, which are effective 1 January 2015, is set out in the table below.

Position	2012 – 2013 fees	2014 fees	2015 fees
Base fees			
Chairman	£118,000	£124,000	**£127,100**
Non-Executive Director	£41,000	£43,000	**£44,100**
Additional fees			
Senior Independent Director	£4,750	£5,000	**£5,125**
Audit Committee Chair	£8,500	£8,925	**£9,150**
Remuneration Committee Chair	£6,850	£8,925	**£9,150**
Nomination Committee Chair[1]	£6,000	£6,300	**N/A**
Health & Safety Committee Chair[2]	£6,000	£6,300	**£6,475**

1 Phil White was appointed Chair of the Nomination Committee effective 1 January 2015, replacing Sir Tim Wilson. As Chairman of the Board, Mr White declined to accept any additional fee in respect of chairing this Committee.

2 Committee was established in June 2012

DIRECTORS' INTERESTS (AUDITED)

A table setting out the beneficial interests of the Directors and their families in the share capital of the Company as at 31 December 2014 is set out below.

	Ordinary shares of 25p each at 31 December 2014	Ordinary shares of 25p each at 31 December 2013
M C Allan	**497,532**	429,397
J J Lister	**336,025**	269,862
R C Simpson	**117,278**	67,639
R S Smith	**44,775**	4,685
P M White	**10,952**	10,000
R J T Wilson	**6,275**	5,730
M J Wolstenholme	**7,995**	7,300
A Jones	**15,000**	–
E McMeikan	**5,000**	–

None of the Directors has a beneficial interest in the shares of any other Group company. Since 31 December 2014, there have been no changes in the Directors' interests in shares.

Details of Directors' share options are set out in the tables on page 80.

SHARE PRICE INFORMATION

As at 31 December 2014, the middle market price for ordinary shares in the Company was 465.0 pence per share. During the course of the year the market price of the Company's shares ranged from 392.7 pence to 471.5 pence per ordinary share.

EXECUTIVE DIRECTORS' SHAREHOLDING REQUIREMENTS (AUDITED)

The table below shows the shareholding of each Executive Director against their respective shareholding requirement as at 31 December 2014:

	Shares			Options			
	Owned outright	[Subject to holding period / continued employment][1]	Unvested and subject to performance conditions	Vested but not exercised	Shareholding requirement % salary/fee	Current shareholding % salary/fee[2]	Requirement met?
M C Allan	497,532	390,532	346,988	–	200%	546%	Yes
J J Lister	336,025	244,913	221,235	–	150%	583%	Yes
R C Simpson	117,278	243,065	199,998	–	150%	226%	Yes
R S Smith	44,775	218,100	199,998	–	150%	86%	No
P M White	10,952					41%	
R J T Wilson	6,275					68%	
M J Wolstenholme	7,995					86%	
A Jones	15,000					162%	
E McMeikan	5,000					54%	

1 Includes awards vested under the 2012 LTIP, shares subject to a holding period under the 2011 LTIP and deferred bonus shares, where applicable.

2 Based on share price as at 31 December 2014 of 465.0p.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS UNDER UNITE INCENTIVES (AUDITED)

Deferred bonus

Executive	Interests held at 01.01.14	Granted during the year	Market price per share at grant	Interests vested during the year	Interests lapsed during the year	Interests held at 31.12.14	Deferral period
R C Simpson	17,058		209.4p	17,058	–	–	02.03.11 – 01.03.14
	28,544		201.1p	–	–	28,544	02.03.12 – 01.03.15
	30,790		310.0p	–	–	30,790	07.03.13 – 06.03.16
		32,777	442.0p	–	–	32,777	07.03.14 – 06.03.17
R S Smith	33,869		310.0p	–	–	33,869	07.03.13 – 06.03.16
		32,777	442.0p	–	–	32,777	07.03.14 – 06.03.17

Share options

Executive	As at 31.12.13	Granted during the year	Exercised during the year*	Lapsed during the year	As at 31.12.14	Exercise price	Normal exercise dates
J J Lister	58,662	–	58,662	–	–	232.5p	16.09.2007 – 15.09.2014

* On the date of exercise (15 September 2014), the closing mid-market share price was 433p.

The highest, lowest and closing share prices for 2014 are shown on the previous page.

Options referred to in the table above were granted pursuant to the Unapproved Scheme. All options were granted for nil consideration. Options granted under the Unapproved Scheme after 1 January 2004 were subject to performance criteria based solely on TSR against companies included in the FTSE Small Cap Index (excluding investments trusts).

LTIP awards

Executive	Interests held at 01.01.14	Interests awarded during the year (ordinary shares of 25p each in the Company)	Market price per share when awarded	Interests vested during the year	Interests lapsed during the year	Interests held at 31.12.14 (ordinary shares of 25p each in the Company)	Period of qualifying conditions
M C Allan	275,725		213.8p	229,072	46,653	–	22.06.11 – 22.06.14
	329,947		185.5p	–	–	329,947	10.04.12 – 10.04.15
	196,814		319.0p	–	–	196,814	10.04.13 – 10.04.16
		150,174	428.6p	–	–	150,174	10.04.14 – 10.04.17
J J Lister	161,366		213.8p	134,063	27,303	–	22.06.11 – 22.06.14
	210,276		185.5p	–	–	210,276	10.04.12 – 10.04.15
	125,482		319.0p	–	–	125,482	10.04.13 – 10.04.16
		95,753	428.6p	–	–	95,753	10.04.14 – 10.04.17
R C Simpson	69,262		156.8p	57,543	11,719	–	05.10.11 – 05.10.14
	159,057		185.5p	–	–	159,057	10.04.12 – 10.04.15
	113,432		319.0p	–	–	113,432	10.04.13 – 10.04.16
		86,566	428.6p	–	–	86,566	10.04.14 – 10.04.17
R S Smith	74,313		156.8p	61,739	12,574	–	05.10.11 – 05.10.14
	159,057		185.5p	–	–	159,057	10.04.12 – 10.04.15
	113,432		319.0p	–	–	113,432	10.04.13 – 10.04.16
		86,566	428.6p	–	–	86,566	10.04.14 – 10.04.17

Details of the qualifying performance conditions in relation to the above referred to awards made in 2012 and in 2014 (under the 2011 LTIP) 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 2013 awards were set out in the 2013 Directors' Remuneration Report.

Awards made in 2012, 2013 and 2014 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	2014 £	2013 £
M C Allan	**431,777**	318,651
J J Lister	**269,445**	190,878
R C Simpson	**207,918**	143,513
R S Smith	**209,286**	121,510

Our annual report on remuneration from pages 72 to 81 has been reviewed and approved by The Board of Directors on 23 February 2015.

As at 31 December 2014 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
1. FMR LLC	8.3
2. BlackRock Inc	5.8
3. Old Mutual Plc	5.8
4. Franklin Resources Inc	5.1
5. Aberdeen Asset Management Group	5.0
6. APG Asset Management NV	4.6
7. Royal London Asset Management	3.9
8. Norges Bank Investment Management	3.2
9. Morgan Stanley Investment Management	3.2
10. Principal Financial Group	3.1

Following the year end, notifications were received from APG Asset Management NV that their interest had increased to 5.18%, Aberdeen Asset Management to 5.03% and then reduced to 4.99%, and Old Mutual Plc to 6.03%.

SHARE CAPITAL

At the date of this report there are 201,559,116 ordinary shares of 25p each in issue, all of which are fully paid-up and quoted on the London Stock Exchange.

During the year a total of 115,090 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 (100,711 at a price of 138.5p per share, 6,665 at a price of 162p per share, 554 at a price of 205.5p per share and 7,160 at a price of 221.5p per share). In addition a total of 167,712 ordinary shares of 25p each were allotted and issued pursuant to the exercise of options under the Approved Scheme (164,597 at a price of 156.8p per share and 3,115 at a price of 185.5p per share) and a total of 101,077 ordinary shares of 25p each were allotted and issued pursuant to the exercise of options under the Unapproved Scheme (5,235 at a price of 191p per share, 58,662 at a price of 232.5p per share and 37,180 at a price of 234p per share).

A further 24,500,000 ordinary shares of 25p each (at a price of 410p per share) were allotted and issued pursuant to the Share Placing and Open Offer which took place during March 2014.

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 DTR, 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 buy back the Company's shares.

Details of proposals to be put to the Annual General Meeting in relation to the power of Directors to issue shares in the Company are set out under the heading 'Annual General Meeting'.

GOING CONCERN

The going concern statement is set out on page 54 under Accountability 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 2014.

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
Greenhouse gas emissions	Page 40
Employment Relations and Equal Opportunities	Page 41

The Corporate Governance Statement on pages 44 to 83 and the Statement of Directors' responsibilities on page 84 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 which are incorporated by reference collectively comprise the Management Report for the purposes of DTR 4.1.5 R.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at The Core, 40 St Thomas Street, Bristol BS1 6JX at 9.30am on 14 May 2015. Formal notice of the meeting is given on pages 138 to 141.

In addition to the ordinary business of the meeting, Resolution 15 will be proposed as an ordinary resolution to grant the Directors authority to allot shares in the Company, and grant rights to subscribe for or to convert any security into shares of the Company, up to an aggregate of nominal value of £16,796,593 representing approximately one-third of the issued share capital of the Company as at 23 February 2015. In accordance with guidelines issued by the Association of British Insurers this resolution also grants the Directors authority to allot further equity securities up to an aggregate nominal value of £16,796,593, again representing approximately one-third of the nominal value of the issued ordinary share capital of the Company as at 23 February 2015. This additional authority may only be applied to fully pre-emptive rights issues.

Resolution 16 will be proposed as a Special Resolution to authorise the Directors to allot equity securities for cash other than in accordance with statutory pre-emption rights (which require a company to offer all allotments for cash first to existing shareholders in proportion to their holdings), in respect of the allotment of shares in connection with any rights issue or other issue by way of rights and otherwise up to an aggregate nominal amount of £2,519,489 (representing approximately 5% of the issued share capital of the Company as at 23 February 2015) for general purposes plus an additional amount of £2,519,489 (representing approximately 5% of the issued share capital) in connection with an acquisition or specified capital investment, in accordance with updated institutional guidance.

The Board has no current intention of exercising either of the authorities conferred by the above resolutions. Unless revoked, varied or extended, those authorities will expire at the conclusion of the next Annual General Meeting of the Company or the date following 15 months from the passing of the resolutions, whichever is the earlier.

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 2014, shareholders authorised the calling of general meetings, other than an Annual General Meeting, on not less than 14 clear days' notice. Resolution 17 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 17 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
23 February 2015

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- The strategic report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

M C ALLAN	J J LISTER
Director	**Director**

23 February 2015

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

OPINIONS AND CONCLUSIONS ARISING FROM OUR AUDIT

1. Our opinion on the financial statements is unmodified

We have audited the financial statements of The Unite Group plc for the year ended 31 December 2014 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statement of Changes in Shareholders' Equity, the Consolidated and Company Statements of Cash Flows and the related notes. 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 2014 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 as adopted by the European Union (IFRSs as adopted by the EU)
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006
- 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

2. Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit were as follows.

Valuation of investment and development properties (£899.7 million)

Refer to the Audit Committee Report and note 3.1 for the accounting policy and financial disclosures.

- ***The risk*** – Investment properties and investment properties under development are held at fair value in the Group's financial statements, and at every period end the change in fair value is reported in the Consolidated Income Statement. The Group engages external experts to value these properties at each reporting period. The valuation models applied are complex and require consideration of the existing market conditions including yields and estimates regarding rental income, occupancy and property management costs. Valuing investment properties under development can be further complicated by the need to forecast discounted cash flows with a deduction for costs to complete.
- ***Our response*** – In this area our audit procedures included evaluating the competency of the external experts engaged by the Group to value the investment and development properties, in the context of their ability to generate a reliable estimate of the fair value. The assessment of the external experts included, but was not limited to, assessing their professional qualifications, experience and independence from the Group. We met with all the external valuation experts to discuss their valuation methodology. We used our own valuation specialists to assist us in critically assessing the valuation methodology applied, and considered whether it is in line with accounting requirements and best practice. We challenged all key assumptions, including yields, rental income, occupancy and property operating costs. Specifically, we performed our own assessment of these inputs and compared rental income to current tenancy contracts on a sample basis, occupancy to sales reports and property operating costs for a sample of properties through to actual costs for the year.

  In addition, for investment properties under development, we compared the costs to complete used in the valuations to internal budgets and business plans and considered the historical accuracy of such budgets and business plans.

  We assessed whether the Group's disclosures (see note 3.1) in respect of the inputs into the valuations properly reflected the assumptions used and met the requirements of the relevant accounting standards.

Classification of joint ventures (£383.8 million)

Refer to the Audit Committee Report and note 3.4 for the accounting policy and financial disclosures.

- ***The risk*** – Two of the Group's significant assets are its investments in USAF and LSAV which the Group has historically accounted for as joint ventures. During the year the Group has adopted IFRSs 10 and 11 which introduced a new definition of control and new guidance on how to classify and account for jointly controlled entities. Due to the complexity of the contractual arrangements, and the Group's role as manager of the entities, the assessment of whether the Group has control or joint control of these entities involves judgements around a number of significant factors, primarily in the Group's case; the power the Group has to direct relevant activities.
- ***Our response*** – In this area our audit procedures included critically assessing the identification of relevant activities and how significantly they affect returns against our own expectations based on our knowledge of the client; verifying the Group's rights and those of the respective Advisory Committees to direct the relevant activities to legal agreements and reviewing minutes; and evaluating the conclusions reached by the Group, notably as to who directed the relevant activities identified and which were the most significant, against the evidence provided and the requirements of the accounting standards.

  We also considered whether the Group's disclosures (see note 3.4) met the requirements of the relevant accounting standards.

Deferred tax assets (£24.4 million)

Refer to the Audit Committee Report and note 2.5 for the accounting policy and financial disclosures.

- ***The risk*** – The Group has recognised deferred tax assets of £24.4 million (2013: £22.4 million) in respect of tax losses considered to be recoverable against deferred tax liabilities and future taxable profits. In addition a deferred tax asset of £8.9 million has not been recognised due to the uncertainty of future taxable profits and the ability to offset losses against them. The estimate of future taxable profits requires judgement and interpretation of tax laws as well as estimating future profits. The recoverability of assets recognised could vary significantly if different assumptions are applied in estimating future taxable profits and the ability to utilise the tax losses. The risk is that the amount recognised on the balance sheet may be over- or under-estimated and any adjustment would directly affect the profit and the effective tax rate for the period.
- ***Our response*** – In this area our audit procedures included, testing the principles and integrity of the model used to forecast taxable profits, comparison of the key input assumptions (such as rental income, property operating costs, administration costs, capital expenditure) to business plans and considered the historical accuracy of such business plans. We used our own tax specialists to consider the appropriateness of the application of tax laws, the appropriateness of tax and the ability to offset projected tax profits against the brought forward losses.

  We also considered whether the Group's disclosures (see note 2.5) met the requirements of the relevant accounting standards.

3. Our application of materiality and an overview of the scope of our audit

The materiality for the Group financial statements as a whole was set at £6.5 million, determined with reference to a benchmark of total Group assets (of which it represents 0.5%).

In addition, we applied materiality of £2.0 million to revenue, cost of sales, operating expenses, loan interest and similar charges, finance income, share of joint venture profit and taxation, for which we believe misstatements of lesser amounts than materiality for the financial statements as a whole could be reasonably expected to influence the Company's members assessment of the financial performance of the Group.

We report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £325,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

The Group audit team performed the audit of the Group as if it was a single aggregated set of financial information. The audit was performed using the materiality levels set out above and covered 100% of total Group revenue, Group profit before tax and total Group assets.

4. Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006
- 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
- the information given in the Corporate Governance Statement with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements

5. We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Annual Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy
- the Audit Committee report does not appropriately address matters communicated by us to the Audit Committee

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

- 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
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns
- certain disclosures of Directors' remuneration specified by law are not made
- we have not received all the information and explanations we require for our audit
- a Corporate Governance Statement has not been prepared by the Company

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

Under the Listing Rules we are required to review:

- the Directors' statement in relation to going concern
- the part of the Corporate Governance Statement relating to the Company's compliance with the ten provisions of the 2012 UK Corporate Governance Code specified for our review

We have nothing to report in respect of the above responsibilities

SCOPE OF REPORT AND RESPONSIBILITIES

As explained more fully in the Directors' Responsibilities Statement set out on page 84, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

WILLIAM MEREDITH (SENIOR STATUTORY AUDITOR)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

23 February 2015

INTRODUCTION AND TABLE OF CONTENTS

Whilst these financial statements are prepared in accordance with IFRS, the Board of Directors manage the business based on EPRA earnings and EPRA net asset value (NAV) which can be found in section 2. These results are aligned with the European Public Real Estate Association (EPRA) best practice recommendations. We have grouped the notes to the financial statements under five main headings:

- **Results for the year, including segmental information, EPRA earnings and EPRA NAV**
- **Asset management**
- **Funding**
- **Working capital**
- **Key management and employee benefits**

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 INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 £m	2013 £m
Rental income	2.4	**89.4**	81.0
Property sales and other income	2.4	**19.1**	20.6
Total revenue		**108.5**	**101.6**
Cost of sales	2.4	**(50.0)**	(41.8)
Operating expenses		**(25.9)**	(23.4)
Results from operating activities		**32.6**	36.4
Loss on disposal of property		**(1.0)**	(1.0)
Net valuation gains on property	3.1	**43.3**	35.4
Profit before net financing costs		**74.9**	**70.8**
Loan interest and similar charges	4.3	**(22.2)**	(19.3)
Mark to market changes in interest rate swaps	4.3	**(1.3)**	0.7
Finance costs	4.3	**(23.5)**	(18.6)
Finance income	4.3	**0.5**	15.7
Net financing costs	4.3	**(23.0)**	**(2.9)**
Share of joint venture profit	3.4b	**56.5**	9.2
Profit before tax		**108.4**	**77.1**
Tax	2.5	**(3.6)**	2.2
Profit for the year		**104.8**	**79.3**
Profit for the year attributable to			
Owners of the parent company	2.2c	**102.6**	78.0
Minority interest		**2.2**	1.3
		104.8	**79.3**
Earnings per share			
Basic	2.2c	**53.1p**	46.0p
Diluted	2.2c	**52.3p**	46.0p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 £m	2013 £m
Profit for the year	**104.8**	**79.3**
Movements in effective hedges	**(0.1)**	0.7
Gains on hedging instruments transferred to income statement	**1.2**	–
Share of joint venture movements in effective hedges	**(1.8)**	3.6
Share of joint venture movement on hedging instruments transferred to income statement	**–**	2.9
Other comprehensive income for the year	**(0.7)**	7.2
Total comprehensive income for the year	**104.1**	**86.5**
Attributable to		
Owners of the parent company	**101.9**	84.9
Minority interest	**2.2**	1.6
	104.1	**86.5**

All movements above are shown net of deferred tax. All other comprehensive income may be classified as profit and loss in the future.

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2014

	Note	2014 £m	2013 £m
Assets			
Investment property	3.1	**850.5**	767.6
Investment property under development	3.1	**49.2**	95.5
Investment in joint ventures	3.4b	**383.8**	237.2
Joint venture investment loans	3.4b	**–**	10.2
Other non-current assets	3.3	**15.3**	7.3
Deferred tax asset	2.5c	**2.2**	0.6
Total non-current assets		**1,301.0**	**1,118.4**
Completed property	3.1	**70.1**	–
Properties under development	3.1	**–**	61.5
Inventories	3.2	**3.9**	3.2
Trade and other receivables	5.2	**43.4**	50.0
Cash and cash equivalents	5.1	**41.4**	43.2
Total current assets		**158.8**	**157.9**
Total assets		**1,459.8**	**1,276.3**
Liabilities			
Borrowings	4.1	**(12.5)**	(29.7)
Interest rate swaps	4.2	**(0.4)**	(2.0)
Trade and other payables	5.4	**(101.6)**	(85.2)
Current tax creditor		**(1.0)**	(0.3)
Total current liabilities		**(115.5)**	**(117.2)**
Borrowings	4.1	**(477.3)**	(483.7)
Interest rate swaps	4.2	**(1.9)**	(3.4)
Deferred tax liability	2.5c	**(2.8)**	–
Total non-current liabilities		**(482.0)**	**(487.1)**
Total liabilities		**(597.5)**	**(604.3)**
Net assets		**862.3**	**672.0**
Equity			
Issued share capital		**50.4**	44.2
Share premium		**385.8**	295.3
Merger reserve		**40.2**	40.2
Retained earnings		**359.2**	266.0
Hedging reserve		**(2.5)**	(1.8)
Equity portion of convertible instrument		**9.4**	9.4
Equity attributable to the owners of the parent company		**842.5**	**653.3**
Minority interest		**19.8**	18.7
Total equity		**862.3**	**672.0**

These financial statements were approved by the Board of Directors on 23 February 2015 and were signed on its behalf by:

M C ALLAN
Director

J J LISTER
Director

COMPANY BALANCE SHEET
AT 31 DECEMBER 2014

	Note	**2014 £m**	2013 £m
Assets			
Investments in subsidiaries	3.5	**412.0**	323.8
Total investments		**412.0**	323.8
Loan to Group undertaking	3.5	**179.9**	179.9
Total non-current assets		**591.9**	**503.7**
Amounts due from Group undertakings	5.2	**494.4**	393.5
Cash and cash equivalents	5.1	**8.6**	–
Total current assets		**503.0**	**393.5**
Total assets		**1,094.9**	**897.2**
Current liabilities			
Borrowings	4.1	**–**	(4.9)
Amounts due to Group undertakings	5.4	**(59.6)**	(59.4)
Other payables	5.4	**(2.5)**	(3.0)
Total current liabilities		**(62.1)**	**(67.3)**
Borrowings	4.1	**(171.2)**	(169.0)
Total non-current liabilities		**(171.2)**	**(169.0)**
Total liabilities		**(233.3)**	**(236.3)**
Net assets		**861.6**	**660.9**
Equity			
Issued share capital		**50.4**	44.2
Share premium		**385.8**	295.3
Merger reserve		**40.2**	40.2
Retained earnings		**29.5**	13.7
Revaluation reserve		**346.3**	258.1
Equity portion of intercompany loan		**9.4**	9.4
Total equity		**861.6**	**660.9**

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

These financial statements were approved by the Board of Directors on 23 February 2015 and were signed on its behalf by:

M C ALLAN
Director

J J LISTER
Director

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	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 2014	**44.2**	**295.3**	**40.2**	**266.0**	**(1.8)**	**9.4**	**653.3**	**18.7**	**672.0**
Profit for the year	**–**	**–**	**–**	**102.6**	**–**	**–**	**102.6**	**2.2**	**104.8**
Other comprehensive income for the period	**–**	**–**	**–**	**–**	**(0.7)**	**–**	**(0.7)**	**–**	**(0.7)**
Total comprehensive income for the year	**–**	**–**	**–**	**102.6**	**(0.7)**	**–**	**101.9**	**2.2**	**104.1**
Shares issued	**6.2**	**90.5**	**–**	**–**	**–**	**–**	**96.7**	**–**	**96.7**
Fair value of share based payments	**–**	**–**	**–**	**3.1**	**–**	**–**	**3.1**	**–**	**3.1**
Own shares acquired	**–**	**–**	**–**	**(1.8)**	**–**	**–**	**(1.8)**	**–**	**(1.8)**
Dividends paid to owners of the parent company	**–**	**–**	**–**	**(10.7)**	**–**	**–**	**(10.7)**	**–**	**(10.7)**
Dividends to minority interest	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1.1)**	**(1.1)**
At 31 December 2014	**50.4**	**385.8**	**40.2**	**359.2**	**(2.5)**	**9.4**	**842.5**	**19.8**	**862.3**

	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 2013	**40.1**	**249.2**	**40.2**	**195.0**	**(8.7)**	**–**	**515.8**	**17.9**	**533.7**
Profit for the year	–	–	–	78.0	–	–	78.0	1.3	79.3
Other comprehensive income for the period	–	–	–	–	6.9	–	6.9	0.3	7.2
Total comprehensive income for the year	–	–	–	78.0	6.9	–	84.9	1.6	86.5
Shares issued	4.1	46.1	–	–	–	–	50.2	–	50.2
Fair value of share based payments	–	–	–	1.1	–	–	1.1	–	1.1
Own shares acquired	–	–	–	(0.6)	–	–	(0.6)	–	(0.6)
Equity arising on issue of convertible bond	–	–	–	–	–	9.4	9.4	–	9.4
Dividends paid to owners of the parent company	–	–	–	(7.5)	–	–	(7.5)	–	(7.5)
Dividends to minority interest	–	–	–	–	–	–	–	(0.8)	(0.8)
At 31 December 2013	**44.2**	**295.3**	**40.2**	**266.0**	**(1.8)**	**9.4**	**653.3**	**18.7**	**672.0**

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

	Issued share capital £m	**Share premium £m**	**Merger reserve £m**	**Retained earnings £m**	**Revaluation reserve £m**	**Equity portion of intercompany loan £m**	**Total £m**
At 1 January 2014	**44.2**	**295.3**	**40.2**	**13.7**	**258.1**	**9.4**	**660.9**
Profit for the year	**–**	**–**	**–**	**26.5**	**–**	**–**	**26.5**
Revaluation of investments in subsidiaries	**–**	**–**	**–**	**–**	**88.2**	**–**	**88.2**
Shares issued	**6.2**	**90.5**	**–**	**–**	**–**	**–**	**96.7**
Dividends to shareholders	**–**	**–**	**–**	**(10.7)**	**–**	**–**	**(10.7)**
At 31 December 2014	**50.4**	**385.8**	**40.2**	**29.5**	**346.3**	**9.4**	**861.6**

	Issued share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Revaluation reserve £m	Equity portion of intercompany loan £m	Total £m
At 1 January 2013	**40.1**	**249.2**	**40.2**	**23.6**	**162.7**	**–**	**515.8**
Loss for the year	–	–	–	(2.4)	–	–	(2.4)
Equity arising on intercompany loan	–	–	–	–	–	9.4	9.4
Revaluation of investments in subsidiaries	–	–	–	–	95.4	–	95.4
Shares issued	4.1	46.1	–	–	–	–	50.2
Dividends to shareholders	–	–	–	(7.5)	–	–	(7.5)
At 31 December 2013	**44.2**	**295.3**	**40.2**	**13.7**	**258.1**	**9.4**	**660.9**

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	Group 2014 £m	Group 2013 £m	Company 2014 £m	Company 2013 £m
Cash flows from operating activities	5.1	**44.7**	**5.9**	**(2.7)**	**(2.5)**
Cash flows from taxation		**(0.5)**	**(0.7)**	**–**	–
Investing activities					
Proceeds from sale of investment property		**62.9**	11.8	**–**	–
Payments to/on behalf of subsidiaries		**–**	–	**(126.9)**	(84.9)
Payments from subsidiaries		**–**	–	**26.2**	42.6
Repayment received of joint venture investment loan		**10.7**	–	**–**	–
Loan to subsidiaries		**–**	–	**–**	(89.9)
Loan to joint ventures		**(12.8)**	(1.4)	**–**	–
Dividends received		**22.2**	9.9	**28.1**	–
Interest received		**0.1**	0.3	**10.6**	6.8
Investment in joint ventures		**(103.3)**	(11.8)	**–**	–
Acquisition of intangible assets		**(5.7)**	(2.2)	**–**	–
Acquisition of property		**(45.9)**	(38.4)	**–**	–
Acquisition of plant and equipment		**(4.8)**	(2.3)	**–**	–
Cash flows from investing activities		**(76.6)**	**(34.1)**	**(62.0)**	**(125.4)**
Financing activities					
Total interest paid		**(24.8)**	(24.2)	**(10.0)**	(6.9)
Interest capitalised into property under development included in cash flows from operating activities		**4.0**	3.2	**–**	–
Interest paid in respect of financing activities		**(20.8)**	(21.0)	**(10.0)**	(6.9)
Ineffective swap payments		**(4.0)**	(16.7)	**–**	–
Proceeds from the issue of share capital		**96.7**	59.6	**96.7**	50.2
Payments to acquire own shares		**(1.8)**	(0.6)	**–**	–
Proceeds from non-current borrowings		**124.8**	149.8	**2.2**	88.4
Repayment of borrowings		**(152.5)**	(166.1)	**–**	–
Dividends paid to the owners of the parent company		**(10.7)**	(7.5)	**(10.7)**	(7.5)
Dividends paid to minority interest		**(1.1)**	(0.8)	**–**	–
Cash flows from financing activities		**30.6**	**(3.3)**	**78.2**	**124.2**
Net (decrease)/increase in cash and cash equivalents		**(1.8)**	(32.2)	**13.5**	(3.7)
Cash and cash equivalents at start of year		**43.2**	75.4	**(4.9)**	(1.2)
Cash and cash equivalents at end of year	5.1	**41.4**	**43.2**	**8.6**	**(4.9)**

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 and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU (Adopted IFRS). 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, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements, with the exception of the first time application of the following standards:

- IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements (2011), IFRS 11 Joint Arrangements, IAS 28 Investments in Associates and Joint Ventures (2011) and IFRS 12 Disclosure of Interests in Other Entities
- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities
- Amendments to IAS 39 Financial Instruments: Recognition and measurement

The adoption of these standards has not had a significant effect on the consolidated results or financial position of the Group.

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 41. 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 18 months forward to June 2016 and the Group has sufficient headroom to meet all its commitments. The Group has one undrawn facility maturing in 2015 which will be replaced by a new facility with one of the Group's relationship banks. Indicative terms have been received and are currently being agreed. This facility will be a sufficient size to incorporate another facility which matures at the end of 2016. The Group has historically maintained positive relationships with its lending banks and has always secured new facilities before maturity dates and within its covenant levels. The Group is in full compliance with its covenants at 31 December 2014. 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 operates a formal approval process, through its Major Investment Approvals Committee, to ensure appropriate review is undertaken before any transactions are agreed.

The Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. The financial statements have therefore been prepared on a going concern basis.

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

The following standards, amendments and interpretations have been issued but have not been applied by the Group in these financial statements.

The standards, amendments and interpretations that are expected to have an impact upon the Group are:

- IFRS 9 Financial Instruments was reissued in October 2010 as the second step in the International Accounting Standards Board (IASB) project to replace IAS 39 Financial Instruments: Recognition and Measurement. During the year the IASB reissued IFRS 9 to include hedge accounting and details on early adoption. The final revision to the standard incorporating the impairment, classification and measurement requirements was issued by the IASB in July 2014. The Group is currently assessing the impact of the revisions on the Group's results and financial position
- IFRS 15 Revenue from Contracts with Customers was issued on 28 May 2014. This standard sets out revenue recognition conditions for the Group. The impact of this standard on the Group is being assessed

The adoption of the following standards, amendments and interpretations are not expected to have any material impact on the financial statements of the Group:

- Amendments to IAS 27 Equity Method in Separate Financial Statements reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation
- The Annual Improvements 2010-2012 and 2011-2013 Cycles includes amendments to a number of different accounting standards
- The Annual Improvements 2012-2014 Cycle includes amendments to a number of different accounting standards

Accounting estimates and judgements

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

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

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

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

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

- Valuation of investment property, investment property under development, completed properties and properties under development (note 3.1)
- Taxation (note 2.5)

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

- Classification of joint venture vehicles (note 3.4)

SECTION 2: RESULTS FOR THE YEAR

This section focuses on the results and performance of the Group. 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.
EPRA earnings and NAV movement are the Group's main key performance indicators.
This reflects the way the business is managed and how the Directors assess the performance of the Group.

EPRA performance measures

	Note	**2014 £m**	2013 £m
EPRA earnings	2.2a	**33.3m**	30.6m
EPRA earnings per share (pence)	2.2c	**17.2p**	18.0p
EPRA NAV	2.3a	**881.1m**	681.6m
EPRA NAV per share (pence)	2.3d	**434p**	382p
EPRA NNNAV	2.3c	**870.7m**	665.5m
EPRA NNNAV per share (pence)	2.3d	**429p**	373p

2.1 Segmental information

The Board of Directors monitors the business along two activity lines, Operations and Property. The reportable segments for the years ended 31 December 2014 and 31 December 2013 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 Board therefore does not consider that the Group has meaningful geographical segments.

2.2 Earnings

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 – 32. 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 manage 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

2014	Unite	Share of joint ventures				Group on see-through basis
	Total £m	USAF £m	UCC/LSAV £m	OCB £m	Total £m	Total £m
Rental income	89.4	25.9	13.5	1.2	40.6	130.0
Property operating expenses	(25.9)	(7.5)	(2.0)	(0.3)	(9.8)	(35.7)
Net operating income	63.5	18.4	11.5	0.9	30.8	94.3
Management fees	13.8	(1.7)	(2.0)	(0.1)	(3.8)	10.0
Operating expenses	(19.4)	(0.2)	(0.3)	–	(0.5)	(19.9)
	57.9	16.5	9.2	0.8	26.5	84.4
Operating lease rentals*	(14.4)	–	–	–	–	(14.4)
Net financing costs	(21.7)	(5.2)	(3.8)	(0.5)	(9.5)	(31.2)
Operations segment result	21.8	11.3	5.4	0.3	17.0	38.8
Property segment result	(3.6)	–	–	–	–	(3.6)
Unallocated to segments	(2.3)	0.4	–	–	0.4	(1.9)
EPRA earnings	15.9	11.7	5.4	0.3	17.4	33.3

* Operating lease rentals arise from properties which the Group has sold and is now leasing back. As these properties contribute to the Group's rental income, 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 £6.2 million relating to sale and leaseback properties.

The £1.9 million charge that is unallocated to segments includes the fair value of share based payments of (£2.1 million), Unite Foundation of (£0.9 million), share of monies received from Landsbanki of £0.4 million, fees received from USAF relating to acquisitions of £1.2 million, deferred tax of £0.5 million and current tax charges of (£1.0 million).

SECTION 2: RESULTS FOR THE YEAR CONTINUED

2.2 Earnings continued

a) EPRA earnings continued

2013	Unite	Share of joint ventures				Group on see through basis
	Total £m	USAF £m	UCC/LSAV £m	OCB £m	Total £m	Total £m
Rental income	81.0	19.1	10.5	2.8	32.4	113.4
Property operating expenses	(25.1)	(5.5)	(1.4)	(0.4)	(7.3)	(32.4)
Net operating income	**55.9**	**13.6**	**9.1**	**2.4**	**25.1**	**81.0**
Management fees	13.7	(1.4)	(1.4)	(0.3)	(3.1)	10.6
Operating expenses	(18.5)	(0.2)	(0.2)	(0.1)	(0.5)	(19.0)
	51.1	12.0	7.5	2.0	21.5	72.6
Operating lease rentals*	(13.7)	–	–	–	–	(13.7)
Net financing costs	(23.1)	(4.7)	(4.1)	(1.4)	(10.2)	(33.3)
Operations segment result	**14.3**	**7.3**	**3.4**	**0.6**	**11.3**	**25.6**
Property segment result	**(3.3)**	**–**	**–**	**–**	**–**	**(3.3)**
Promote fee	7.5	–	–	–	–	7.5
Other	(1.5)	2.3	–	–	2.3	0.8
Unallocated to segments	**6.0**	**2.3**	**–**	**–**	**2.3**	**8.3**
EPRA earnings	**17.0**	**9.6**	**3.4**	**0.6**	**13.6**	**30.6**
EPRA earnings pre UCC promote fee	**9.5**	**9.6**	**3.4**	**0.6**	**13.6**	**23.1**

* Operating lease rentals arise from properties which the Group has sold and is now leasing back. As these properties contribute to the Group's rental income, the Group consider these lease costs to be a form of financing.

Included in the above is rental income of £19.7 million and property operating expenses of £6.4 million relating to sale and leaseback properties.

The £0.8 million credit that is unallocated to segments includes the fair value of share based payments of (£1.1 million), Unite Foundation of (£0.5 million), share of monies received from Landsbanki of £2.3 million, deferred tax of £0.6 million and current tax charges of (£0.4 million).

SECTION 2: RESULTS FOR THE YEAR CONTINUED

2.2 Earnings continued

b) EPRA earnings IFRS reconciliation

The EPRA profit 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. The EPRA earnings reconcile to the profit reported under IFRS as follows:

	Note	**2014 £m**	2013 £m
EPRA earnings	2.2a	**33.3**	**30.6**
Net valuation gains on investment property	3.1	**43.3**	35.4
Property disposals and write downs		**(3.3)**	(1.9)
Share of joint venture gains on investment property	3.4b	**35.7**	13.5
Share of joint venture property disposals and write downs		**(0.6)**	(0.1)
Mark to market changes in interest rate swaps*	4.3	**(1.3)**	0.7
Interest rate swap payments on ineffective hedges*		**1.2**	4.4
Debt exit costs		**(1.6)**	(0.4)
Share of joint venture interest rate swaps charges	3.4b	**–**	(3.8)
Share of joint venture debt exit costs	3.4b	**(0.1)**	(2.2)
Deferred tax relating to interest rate swap movement		**(0.2)**	2.1
Deferred tax relating to properties		**(2.7)**	–
Minority interest share of reconciling items**		**(1.1)**	(0.3)
Profit attributable to owners of the parent company		**102.6**	**78.0**

* Within IFRS reported profit, there is a £1.3 million loss (2013: £0.7 million profit) relating to movements in the mark to market of ineffective interest rate swaps; this full loss can be seen in note 4.3. Part of this movement, £1.2 million (2013: £4.4 million), relates to actual interest payments made on these swaps and is considered to be a true operating cost of the Operations segment. It is therefore already included within Net Financing Costs in the Operating segment result in note 2.2a.

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

SECTION 2: RESULTS FOR THE YEAR CONTINUED

2.2 Earnings continued

c) Earnings per share

The EPS calculation is based on the earnings attributable to the equity shareholders of the Group 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 more accurately show the business performance of the Group 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 UCC promote fee are calculated using EPRA earnings.

The calculations of basic and adjusted EPS for the year ended 31 December 2014 is as follows:

	Note	2014 £m	2013 £m
Earnings			
Basic (and diluted)		**102.6**	78.0
EPRA	2.2a	**33.3**	30.6
EPRA pre UCC promote fee	2.2a	**33.3**	23.1
Weighted average number of shares (thousands)			
Basic		**193,319**	169,561
Dilutive potential ordinary shares (share options)		**2,966**	255
Diluted		**196,285**	169,816
Earnings per share (pence)			
Basic		**53.1p**	46.0p
Diluted		**52.3p**	46.0p
EPRA EPS		**17.2p**	**18.0p**
EPRA EPS pre UCC promote fee		**17.2p**	**13.6p**

Movements in the weighted average number of shares have resulted from the placing in April 2014 and the issue of shares arising from the employee share based payment schemes.

The placing comprised 24,500,000 shares and gave rise to proceeds of £100.5 million, £96.0 million net of issue costs.

Excluded from the potential dilutive shares (share options), in 2014, are 1,174,000 (2013: 3,697,000) options which do not affect the diluted weighted average number of shares.

SECTION 2: RESULTS FOR THE YEAR CONTINUED

2.3 Net assets

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 33 – 36. EPRA NAV, reported on the basis recommended for real estate companies by EPRA is the key indicator used by the Board to manage the Property business.

a) EPRA net assets

	2014			2013		
	Wholly owned £m	**Share of JVs £m**	**Total £m**	Wholly owned £m	Share of JVs £m	Total £m
Investment properties	**850.5**	**558.4**	**1,408.9**	767.6	407.6	1,175.2
Completed properties*	**101.3**	**–**	**101.3**	–	–	–
Total income producing properties	**951.8**	**558.4**	**1,510.2**	767.6	407.6	1,175.2
Investment properties under development	**49.2**	**65.1**	**114.3**	95.5	15.1	110.6
Properties under development*	**–**	**–**	**–**	84.3	–	84.3
Total development properties	**49.2**	**65.1**	**114.3**	179.8	15.1	194.9
Total property portfolio	**1,001.0**	**623.5**	**1,624.5**	**947.4**	**422.7**	**1,370.1**
Debt on properties	**(489.8)**	**(270.7)**	**(760.5)**	(513.4)	(215.3)	(728.7)
Cash	**41.4**	**21.8**	**63.2**	43.2	19.4	62.6
Net debt	**(448.4)**	**(248.9)**	**(697.3)**	**(470.2)**	**(195.9)**	**(666.1)**
Other assets/(liabilities)	**(38.0)**	**(8.1)**	**(46.1)**	(24.4)	2.0	(22.4)
EPRA net assets	**514.6**	**366.5**	**881.1**	**452.8**	**228.8**	**681.6**
Loan to value	**45%**	**40%**	**43%**	**50%**	**46%**	**49%**

* At market value.

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:

2014	Unite	Share of joint ventures				Group on see-through basis
	Total £m	USAF £m	UCC/LSAV £m	OCB £m	Total £m	Total £m
Operations						
Operations segment result	**21.8**	**11.3**	**5.4**	**0.3**	**17.0**	**38.8**
Property						
Rental growth	13.0	5.9	2.2	–	8.1	21.1
Yield movement	18.6	5.2	6.7	–	11.9	30.5
Disposals and acquisition costs	(5.7)	–	1.9	(0.3)	1.6	(4.1)
Investment property gains	25.9	11.1	10.8	(0.3)	21.6	47.5
Development property gains	20.3	–	14.7	–	14.7	35.0
Pre-contract/other development costs	(3.6)	–	–	–	–	(3.6)
Total property	**42.6**	**11.1**	**25.5**	**(0.3)**	**36.3**	**78.9**
Unallocated						
Shares issued	96.7	–	–	–	–	96.7
Investment in joint ventures	(84.0)	59.5	42.5	(18.0)	84.0	–
Dividends paid	(10.7)	–	–	–	–	(10.7)
USAF property acquisition fee	1.2	–	–	–	–	1.2
Swap losses and debt exit costs	(3.3)	–	–	(0.1)	(0.1)	(3.4)
Other	(2.4)	0.4	–	–	0.4	(2.0)
Total unallocated	**(2.5)**	**59.9**	**42.5**	**(18.1)**	**84.3**	**81.8**
Total EPRA NAV movement in the year	**61.9**	**82.3**	**73.4**	**(18.1)**	**137.6**	**199.5**
Total EPRA NAV brought forward	452.7	124.6	86.2	18.1	228.9	681.6
Total EPRA NAV carried forward	**514.6**	**206.9**	**159.6**	**–**	**366.5**	**881.1**

The £2.0 million charge in that comprises the other balance within the unallocated segment includes a tax charge of £1.5 million, a contribution of £0.9 million to the Unite Foundation and £0.4 million relating to a share of the monies received from Landsbanki.

SECTION 2: RESULTS FOR THE YEAR CONTINUED

2.3 Net assets continued

b) Movement in EPRA NAV during the year continued

2013	Unite	Share of joint ventures				Group on see-through basis
	Total £m	USAF £m	UCC/LSAV £m	OCB £m	Total £m	Total £m
Operations						
Operations segment result	**14.3**	**7.3**	**3.4**	**0.6**	**11.3**	**25.6**
Property						
Rental growth	20.5	3.3	–	(0.4)	2.9	23.4
Yield movement	1.2	1.5	2.6	–	4.1	5.3
Disposals and acquisition costs	(2.7)	(0.1)	–	–	(0.1)	(2.8)
Investment property gains	19.0	4.7	2.6	(0.4)	6.9	25.9
Development property gains	18.4	–	5.7	–	5.7	24.1
Pre-contract/other development costs	(3.3)	–	–	–	–	(3.3)
Total property	**34.1**	**4.7**	**8.3**	**(0.4)**	**12.6**	**46.7**
Unallocated						
Shares issued	50.2	–	–	–	–	50.2
Investment in joint ventures	(12.4)	(5.4)	16.5	1.3	12.4	–
Dividends paid	(7.5)	–	–	–	–	(7.5)
Equity portion of convertible instruments	9.4	–	–	–	–	9.4
UCC promote fee	7.5	–	–	–	–	7.5
Swap losses and debt exit costs	(12.4)	(3.7)	(2.3)	–	(6.0)	(18.4)
Purchase of own shares	(0.6)	–	–	–	–	(0.6)
Other	(0.1)	2.3	(0.2)	0.2	2.3	2.2
Total unallocated	**34.1**	**(6.8)**	**14.0**	**1.5**	**8.7**	**42.8**
Total EPRA NAV movement in the year	**82.5**	**5.2**	**25.7**	**1.7**	**32.6**	**115.1**
Total EPRA NAV brought forward	370.2	119.4	60.5	16.4	196.3	566.5
Total EPRA NAV carried forward	**452.7**	**124.6**	**86.2**	**18.1**	**228.9**	**681.6**

SECTION 2: RESULTS FOR THE YEAR CONTINUED

2.3 Net Assets continued

c) Reconciliation to IFRS

EPRA NAV excludes the mark to market valuation of swaps, deferred tax liabilities and recognises all properties at market value. These are the main differences between EPRA NAV and Net Assets reported under IFRS.

The Group also manages NAV using EPRA NNNAV, which adjusts EPRA NAV to include the fair value of swaps and debt. This is considered to give stakeholders the most relevant information on the current fair value of all the assets and liabilities in the Group.

	Note	**2014 £m**	2013 £m
Net asset value reported under IFRS		**842.5**	**653.3**
Recognise valuation gain on property held at cost	3.1	**31.2**	22.8
Mark to market interest rate swaps		**4.8**	5.5
Deferred tax		**2.6**	–
EPRA NAV	2.3a	**881.1**	**681.6**
Mark to market of fixed rate debt		**(3.0)**	(10.6)
Mark to market interest rate swaps		**(4.8)**	(5.5)
Deferred tax		**(2.6)**	–
EPRA NNNAV		**870.7**	**665.5**

d) NAV per share

NAV is based on the net assets attributable to the equity shareholders of the Group 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	**2014 £m**	2013 £m
Net assets			
Basic	2.3c	**842.5**	653.3
EPRA pre-dilution	2.3a	**881.1**	681.6
EPRA diluted		**882.3**	683.7
EPRA NNNAV (diluted)		**871.9**	667.6
Number of shares (thousands)			
Basic		**202,362**	176,658
Outstanding share options		**873**	2,457
Diluted		**203,235**	179,115
Net asset value per share (pence)			
Basic		**416p**	370p
EPRA pre dilution		**435p**	386p
EPRA (fully diluted)		**434p**	**382p**
EPRA NNNAV (fully diluted)		**429p**	**373p**

SECTION 2: RESULTS FOR THE YEAR CONTINUED

2.4. Revenue and costs

The Group earns revenue from the following activities:

		Note	2014 £m	2013 £m
Rental income	Operations segment	2.2a	**89.4**	81.0
Management fees	Operations segment		**12.0**	11.2
Development management fee	Property segment		**2.7**	2.1
Property sales	Unallocated		**4.6**	–
UCC promote fee	Unallocated		**–**	7.5
			108.7	101.8
Impact of minority interest on management fees			**(0.2)**	(0.2)
Total revenue			**108.5**	**101.6**

The revenue above excludes the Group's share of revenue from joint ventures; this can be seen in note 2.2a.

The cost of sales included in the consolidated income statement includes property operating expenses of £25.9 million (2013: £25.1 million), operating lease rentals of £14.4 million (2013: £13.7 million), costs associated with development fees of £2.7 million (2013: £2.1 million) and the carrying value of property sales of £7.0 million (2013: £0.9 million).

Accounting policies

Revenue is recognised on the following bases:

Rental income

Rental income from property leased out under operating leases (comprising direct lets to students and leases to Universities and commercial tenants) is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives are sometimes granted on commercial units; these are recognised as an integral part of the total rental income and spread over the term of the lease.

Property sales

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

Management and promote 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 promote fees from USAF and UCC/LSAV if the joint ventures outperform certain benchmarks. The Group receives an enhanced equity interest in the joint ventures as consideration for the promote fee.

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

SECTION 2: RESULTS FOR THE YEAR CONTINUED

2.5 Tax

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 (predominantly the investments in USAF).

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. The deferred tax provision in respect of property assets is calculated on the basis that assets will not be held indefinitely and therefore takes account of available indexation. A deferred tax asset is recognised only to the extent that it is probable that sufficient future taxable profits will be available against which the asset can be utilised.

Forecasting future taxable profits to which these losses will be offset requires significant judgements and assumptions regarding future performance. The recoverability of the assets recognised could vary significantly if different assumptions are applied in estimating future taxable profits. In addition, the potential conversion to a REIT in the medium term may make some of the tax losses inaccessible at some point in the future, but the timing of such conversion has not been determined. Deferred tax assets in respect of forecast taxable profits have been restricted to the next two years.

a) Tax – income statement

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

	2014 £m	2013 £m
Income tax on UK rental income arising in non-UK companies	**1.2**	0.5
Current tax charge	**1.2**	**0.5**
Origination and reversal of temporary differences	**2.4**	(1.8)
Effect of change in tax rate	**–**	(0.3)
Recognition of previously unrecognised asset	**–**	(0.6)
Deferred tax charge/(credit)	**2.4**	**(2.7)**
Total tax charge/(credit) in income statement	**3.6**	**(2.2)**

SECTION 2: RESULTS FOR THE YEAR CONTINUED

2.5 Tax continued

a) Tax – income statement continued

In the income statement, a tax charge of £3.6 million arises on a profit before tax of £108.4 million, the taxation charge that would arise at the standard rate of UK corporation tax is reconciled to the actual tax charge as follows:

	2014 £m	2013 £m
Profit before tax	**108.4**	**77.1**
Income tax using the UK corporation tax rate of 21.5% (2013: 23.3%)	**23.3**	17.9
Effect of indexation on investment and development property	**(1.9)**	(3.0)
Non-deductible items	**(11.5)**	(6.9)
Movement on unprovided deferred tax asset	**(4.3)**	(8.0)
Profits chargeable at lower rate	**(0.1)**	(0.1)
Effect of property disposals	**(1.1)**	(0.2)
Rate difference on deferred tax	**(0.1)**	(1.3)
Recognition of previously unrecognised deferred tax asset	**–**	(0.6)
Prior years adjustments	**(0.7)**	–
Total tax charge/(credit) in income statement	**3.6**	**(2.2)**

Included within non-deductible items of £11.5m are adjustments for property revaluations that are not subject to tax. Other non-deductible items include tax only adjustments, and expenditure not ordinarily allowable for tax purposes such as aborted deal costs.

b) Tax – other comprehensive income

Within other comprehensive income a tax charge totalling £1.2 million (2013: £0.3 million) has been recognised representing deferred tax. An analysis of this is included on the next page in the deferred tax movement table (note 2.5c).

SECTION 2: RESULTS FOR THE YEAR CONTINUED

2.5 Tax continued

c) 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:

2014

	At 31 December 2013 £m	Transfers £m	(Credited) in income £m	Charged in equity £m	**At 31 December 2014 £m**
Investment property	16.9	–	0.4	–	**17.3**
Property, plant and machinery	(0.8)	–	0.2	–	**(0.6)**
Investments in joint ventures	6.6	–	4.1	–	**10.7**
Share options	–	–	(0.5)	(1.0)	**(1.5)**
Interest rate swaps	(0.8)	–	0.2	0.3	**(0.3)**
Interest rate swaps relating to joint ventures	(0.1)	–	–	(0.5)	**(0.6)**
Tax value of carried forward losses recognised	(22.4)	–	(2.0)	–	**(24.4)**
Net tax (assets)/liabilities	**(0.6)**	–	2.4	(1.2)	**0.6**

2013

	At 31 December 2012 £m	Transfers £m	(Credited) in income £m	Charged in equity £m	At 31 December 2013 £m
Investment property	15.9	–	1.0	–	16.9
Property, plant and machinery	(0.7)	–	(0.1)	–	(0.8)
Investments in joint ventures	7.1	–	(0.5)	–	6.6
Interest rate swaps	(4.2)	–	3.1	0.3	(0.8)
Interest rate swaps relating to joint ventures	(1.9)	–	–	1.8	(0.1)
Tax value of carried forward losses recognised	(16.2)	–	(6.2)	–	(22.4)
Net tax (assets)/liabilities	**–**	**–**	**(2.7)**	**2.1**	**(0.6)**

A deferred tax asset of £8.9 million (2013: £9.6 million) in respect of losses of £44.7 million (2013: £47.9 million) has not been recognised. Complexities in the Group structure mean these losses may be inaccessible and the Group is considering converting to REIT status in the medium term. Accordingly, the recognised deferred tax asset has been restricted to those losses which are likely be utilised in the next two years.

A reduction in the UK corporation tax rate from 23% to 21% (effective 1 April 2014) and from 21% to 20% (effective 1 April 2015) was substantively enacted on 2 July 2013. This will reduce the Group's future current tax charge accordingly. The deferred tax asset at 31 December 2014 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

Company

Deferred tax has not been recognised on temporary timing differences of £69.3 million (2013: £51.6 million) in respect of revaluation of subsidiaries and investment in joint ventures as it is probable that the temporary timing difference will not reverse in the foreseeable future.

2.6 Audit fees

Disclosures in respect of fees paid to the auditor can be found in the Audit Committee Report, page 58.

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 EPRA net asset value (NAV), one of the Group's key performance indicators. The following pages provide disclosures about the Group's investments in property assets and joint ventures and their performance over the year.

3.1 Wholly owned property assets

The Group's wholly owned property portfolio is held in four groups on the balance sheet at the carrying values detailed below. In the Group's EPRA 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.

iii) Completed properties (current assets)

These are assets acquired by the Group with the intention to hold the assets for a short period prior to disposal to a joint venture or third parties. The Group continues to earn rental income and capital appreciation on these assets which are held at cost in the balance sheet.

iv) Properties under development (current assets)

These are assets which are currently in the course of construction and which will be transferred to 'Completed properties' on completion.

SECTION 3: ASSET MANAGEMENT CONTINUED

3.1 Wholly owned property assets continued

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 5.6% (2013: 6.3%).

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 2014 and 2013.

The reports 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.

The movements in the carrying value of the Group's wholly owned property portfolio during the year ended 31 December 2014 are shown in the table below. Whilst completed property and property under development are 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 2014 is also shown below.

2014

	Investment property £m	Investment property under development £m	Completed property £m	Property under development £m	Total £m
At 1 January 2014	767.6	95.5	–	61.5	924.6
Cost capitalised	6.4	46.8	–	11.9	65.1
Interest capitalised	–	4.0	–	4.0	8.0
Transfer from property under development	–	–	70.1	(70.1)	–
Transfer from investment property under development	85.1	(85.1)	–	–	–
Disposals	(44.4)	(19.5)	–	(7.3)	(71.2)
Valuation gains	40.7	7.5	–	–	48.2
Valuation losses	(4.9)	–	–	–	(4.9)
Net valuation gains	35.8	7.5	–	–	43.3
Carrying value at 31 December 2014	850.5	49.2	70.1	–	969.8
Valuation gains not recognised under IFRS but included in EPRA NAV					
Brought forward	–	–	–	22.8	22.8
Transfer from property under development	–	–	25.1	(25.1)	–
Valuation gain in year	–	–	6.1	2.3	8.4
	–	–	31.2	–	31.2
Market value at 31 December 2014	850.5	49.2	101.3	–	1,001.0

The movements in the carrying value of the Group's wholly owned property portfolio during the year ended 31 December 2013 and the fair value of the Group's wholly owned property portfolio at the year ended 31 December 2013 is as follows:

2013

	Investment property £m	Investment property under development £m	Completed property £m	Property under development £m	Total £m
At 1 January 2013	762.8	37.6	–	26.5	826.9
Cost capitalised	8.0	29.2	–	31.8	69.0
Interest capitalised	–	2.9	–	3.2	6.1
Transfer from investment property	(8.7)	8.7	–	–	–
Disposals	(12.8)	–	–	–	(12.8)
Valuation gains	23.6	17.4	–	–	41.0
Valuation losses	(5.3)	(0.3)	–	–	(5.6)
Net valuation gains	18.3	17.1	–	–	35.4
Carrying value at 31 December 2013	**767.6**	**95.5**	**–**	**61.5**	**924.6**
Valuation gains not recognised under IFRS but included in EPRA NAV					
Brought forward	–	–	–	19.0	19.0
Valuation gain in year	–	–	–	3.8	3.8
	–	–	–	22.8	22.8
Market value at 31 December 2013	**767.6**	**95.5**	**–**	**84.3**	**947.4**

SECTION 3: ASSET MANAGEMENT CONTINUED

3.1 Wholly owned property assets continued

Included within investment properties are £31.4 million (2013: £30.8 million) of assets held under a long leasehold and £10.4 million (2013: £11.3 million) of assets held under short leasehold.

Total interest capitalised in investment and development properties at 31 December 2014 was £40.3 million (2013: £37.9 million) on a cumulative basis. Total internal costs relating to construction and development costs of Group properties amount to £47.4 million at 31 December 2014 (2013: £48.1 million) on a cumulative basis.

Recurring fair value measurement

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

Class of asset	**2014 £m**	2013 £m
London – rental properties	**438.1**	274.5
Major provincial – rental properties	**346.1**	332.5
Other provincial – rental properties	**167.6**	160.6
London – development properties	**–**	149.6
Major provincial – development properties	**42.3**	17.9
Other provincial – development properties	**6.9**	12.3
Market value	**1,001.0**	**947.4**

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)

	2014 £m	2013 £m
Opening fair value	**947.4**	845.9
Gains and losses recognised in income statement	**43.3**	35.4
Gains and losses not recognised on properties under development	**8.4**	3.8
Acquisitions	**–**	–
Capital expenditure	**53.6**	75.1
Disposals	**(51.7)**	(12.8)
Closing fair value	**1,001.0**	**947.4**

SECTION 3: ASSET MANAGEMENT CONTINUED

3.1 Wholly owned property assets continued

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

2014	**Fair value £m**	**Valuation technique**	**Unobservable inputs**	**Range**	**Weighted average**
London		Discounted	Net rental income (£ per week)	**£161m – £297m**	**£202m**
– rental properties	**438.1**	cash flows	Estimated future rent (%)	**1% – 3%**	**3%**
			Discount rate (yield) (%)	**5.5% – 6.0%**	**5.7%**
Major provincial		Discounted	Net rental income (£ per week)	**£88m – £141m**	**£113m**
– rental properties	**346.1**	cash flows	Estimated future rent (%)	**2% – 4%**	**3%**
			Discount rate (yield) (%)	**6.1% – 6.9%**	**6.5%**
Other provincial		Discounted	Net rental income (£ per week)	**£80m – £121m**	**£107m**
– rental properties	**167.6**	cash flows	Estimated future rent (%)	**2% – 3%**	**3%**
			Discount rate (yield) (%)	**6.3% – 8.6%**	**6.8%**
Major provincial		Discounted	Estimated cost to complete (£m)	**£9.1m – £38.7m**	**£25.9m**
– development properties	**42.3**	cash flows	Estimated future rent (%)	**3%**	**3%**
			Discount rate (yield) (%)	**6.4% – 6.5%**	**6.5%**
Other provincial		Discounted	Estimated cost to complete (£m)	**£36.5m**	**£36.5m**
– development properties	**6.9**	cash flows	Estimated future rent (%)	**3%**	**3%**
			Discount rate (yield) (%)	**7.0%**	**7.0%**
Fair value at 31 December 2014	**1,001.0**				

2013	Fair value £m	Valuation technique	Unobservable inputs	Range	Weighted average
London		Discounted	Net rental income (£ per week)	£187m – £326m	£220m
– rental properties	274.5	cash flows	Estimated future rent (%)	1% – 3%	3%
			Discount rate (yield) (%)	6.2% – 6.5%	6.2%
Major provincial		Discounted	Net rental income (£ per week)	£93m – £135m	£109m
– rental properties	332.5	cash flows	Estimated future rent (%)	2% – 3%	3%
			Discount rate (yield) (%)	6.4% – 6.9%	6.7%
Other provincial		Discounted	Net rental income (£ per week)	£78m – £124m	£106m
– rental properties	160.6	cash flows	Estimated future rent (%)	2% – 3%	3%
			Discount rate (yield) (%)	6.4% – 8.4%	6.8%
London		Discounted	Estimated cost to complete (£m)	£8.7m – £12.2m	£10.9m
– development properties	149.6	cash flows	Estimated future rent (%)	3%	3%
			Discount rate (yield) (%)	6.1% – 6.5%	6.4%
Major provincial		Discounted	Estimated cost to complete (£m)	£22.9m	£22.9m
– development properties	17.9	cash flows	Estimated future rent (%)	3%	3%
			Discount rate (yield) (%)	6.3% – 7.0%	6.6%
Other provincial		Discounted	Estimated cost to complete (£m)	£5.7m	£5.7m
– development properties	12.3	cash flows	Estimated future rent (%)	3%	3%
			Discount rate (yield) (%)	6.8%	6.8%
Fair value at 31 December 2013	**947.4**				

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 conditions.

SECTION 3: ASSET MANAGEMENT CONTINUED

3.2 Inventories

	2014 £m	2013 £m
Interests in land	**1.5**	–
Other stocks	**2.4**	3.2
Inventories	**3.9**	**3.2**

The movement in other stock is caused by a decrease in activity during the year relating to costs incurred in connection with the acquisition of assets for the LSAV joint venture.

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. The assets are amortised on a straight-line basis over four to five 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.

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

	2014			2013		
	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	**10.0**	**19.7**	**29.7**	7.7	17.5	25.2
Additions	**4.8**	**5.7**	**10.5**	2.3	2.2	4.5
At 31 December	**14.8**	**25.4**	**40.2**	10.0	19.7	29.7
Depreciation, amortisation and impairment losses						
At 1 January	**7.2**	**15.2**	**22.4**	6.5	13.7	20.2
Depreciation/amortisation charge for the year	**1.0**	**1.5**	**2.5**	0.7	1.5	2.2
At 31 December	**8.2**	**16.7**	**24.9**	7.2	15.2	22.4
Carrying value at 1 January	**2.8**	**4.5**	**7.3**	1.2	3.8	5.0
Carrying amount at 31 December	**6.6**	**8.7**	**15.3**	**2.8**	**4.5**	**7.3**

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 UCC/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 recent changes to accounting standards (IFRS 10) 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. However, for the activities which are considered to have significant impact on the returns of USAF, acquisitions and equity financing, it has been determined that the Advisory Committee and the Group have joint power in directing these activities and that on balance, it is appropriate to account for USAF as a joint venture. The assessment for UCC/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.

During the year the Group has operated four joint ventures; following the disposal of OCB and the merger of LSAV and UCC the Group now operates two joint ventures.

Joint venture	Group's share of assets/results 2014 (2013)	Objective	Partner	Legal entity in which Group has interest
The Unite UK Student Accommodation Fund (USAF)	24.0%* (18.9%)	Invest and operate student accommodation throughout the UK	Consortium of investors	Unite Student Accommodation Fund, a Jersey Unit Trust
Unite Capital Cities (UCC)	50%** (30%)	Invest and operate student accommodation in the capital cities of London and Edinburgh	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
London Student Accommodation Joint 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
OCB Property Holdings (OCB)	0% (25%)	Operate three investment properties located in London; these properties were sold during the year and the joint venture wound up	Oasis Capital	N/A

* 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 22.0% (2013: 16.4%) of USAF.

** On 9 December 2014 the Unite Capital Cities joint venture was acquired by the London Student Accommodation Venture via a unit for unit exchange based on the fair value of the units in each joint venture on 30 September 2014.

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 period, and the Group's share of these joint ventures are as follows:

2014

	USAF £m		UCC/LSAV £m		OCB £m		Total £m	
	Gross	**Share**	**Gross**	**Share**	**Gross**	**Share**	**Gross**	**Share**
Investment property	**1,572.8**	**378.5**	**556.6**	**278.3**	**–**	**–**	**2,129.4**	**656.8**
Cash	**50.2**	**12.1**	**21.6**	**10.8**	**–**	**–**	**71.8**	**22.9**
Debt	**(661.2)**	**(159.1)**	**(251.2)**	**(125.6)**	**–**	**–**	**(912.4)**	**(284.7)**
Swap liabilities	**(2.8)**	**(0.6)**	**(3.9)**	**(1.9)**	**–**	**–**	**(6.7)**	**(2.5)**
Other current assets	**1.6**	**0.4**	**6.5**	**3.2**	**–**	**–**	**8.1**	**3.6**
Other current liabilities	**(28.1)**	**(5.2)**	**(14.3)**	**(7.1)**	**–**	**–**	**(42.4)**	**(12.3)**
Net assets	**932.5**	**226.1**	**315.3**	**157.7**	**–**	**–**	**1,247.8**	**383.8**
Profit/(loss) for the year	**108.5**	**27.0**	**59.4**	**30.0**	**(0.1)**	**(0.5)**	**167.8**	**56.5**
EPRA net assets	**935.3**	**206.9**	**319.2**	**159.6**	**–**	**–**	**1,254.5**	**366.5**

2013

	USAF £m		UCC/LSAV £m		OCB £m		Total £m	
	Gross	Share	Gross	Share	Gross	Share	Gross	Share
Investment property	1,354.7	256.5	470.3	157.2	173.7	43.4	1,998.7	457.1
Cash	62.4	11.8	18.8	7.1	8.4	2.1	89.6	21.0
Debt	(645.5)	(122.2)	(255.3)	(83.0)	(105.6)	(26.4)	(1,006.4)	(231.6)
Swap liabilities	(3.5)	(0.6)	0.8	0.4	–	–	(2.7)	(0.2)
Other current assets	11.8	2.3	1.2	0.5	0.2	–	13.2	2.8
Other current liabilities	(26.9)	(5.1)	(9.3)	(3.0)	(4.4)	(1.1)	(40.6)	(9.2)
	753.0	142.7	226.5	79.2	72.3	18.0	1,051.8	239.9
Investment loans	–	–	–	–	(40.8)	(10.2)	(40.8)	(10.2)
UCC promote	–	–	–	7.5	–	–	–	7.5
Net assets	753.0	142.7	226.5	86.7	31.5	7.8	1,011.0	237.2
Profit/(loss) for the year	**62.7**	**(0.8)**	**24.1**	**10.0**	**2.3**	**–**	**89.1**	**9.2**
EPRA net assets	**756.5**	**124.5**	**225.7**	**86.3**	**72.3**	**18.0**	**1,054.5**	**228.8**

Net assets and profit for the year above include the minority interest, whereas adjusted 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 £146.6 million during the year ended 31 December 2014 (2013: £42.4 million), resulting in an overall carrying value of £383.8 million (2013: £237.2 million). The following table shows how the increase has been achieved:

	2014			2013		
	Investment in joint venture £m	**Joint venture investment loan £m**	**Total interest £m**	Investment in joint venture £m	Joint venture investment loan £m	Total interest £m
Recognised in the income statement:						
Operations segment result	**17.0**	**–**	**17.0**	11.3	–	11.3
Minority interest share of Operations segment result	**1.3**	**–**	**1.3**	1.1	–	1.1
Management fee adjustment related to trading with joint venture	**3.0**	**–**	**3.0**	2.4	–	2.4
Net revaluation gains	**35.7**	**–**	**35.7**	13.5	–	13.5
Discount on interest free loans (note 4.3)	**(0.4)**	**0.4**	**–**	(15.4)	15.4	–
Debt exit costs	**(0.1)**	**–**	**(0.1)**	(2.2)	–	(2.2)
Loss on cancellation of interest rate swaps	**–**	**–**	**–**	(3.8)	–	(3.8)
Landsbanki cash received	**0.4**	**–**	**0.4**	2.3	–	2.3
Loss on disposal of properties	**(0.6)**	**–**	**(0.6)**	–	–	–
Other	**0.2**	**–**	**0.2**	–	–	–
	56.5	**0.4**	**56.9**	9.2	15.4	24.6
Recognised in equity:						
Movement in effective hedges	**(2.3)**	**–**	**(2.3)**	8.4	–	8.4
Other adjustments to the carrying value:						
Profit adjustment related to trading with joint venture	**(1.5)**	**0.1**	**(1.4)**	(4.2)	1.8	(2.4)
Increase in loan to OCB	**–**	**–**	**–**	–	1.4	1.4
Repayment of loan to OCB	**–**	**(10.7)**	**(10.7)**	–	–	–
Increase in loan to USAF	**12.8**	**–**	**12.8**	–	–	–
Additional capital invested in USAF	**57.1**	**–**	**57.1**	–	–	–
Additional capital invested in UCC	**26.5**	**–**	**26.5**	3.4	–	3.4
Additional capital invested in LSAV	**19.7**	**–**	**19.7**	8.4	–	8.4
UCC promote	**–**	**–**	**–**	7.5	–	7.5
Transfer from investment loan to investments	**–**	**–**	**–**	19.6	(19.6)	–
Distributions received	**(22.2)**	**–**	**(22.2)**	(9.9)	–	(9.9)
Increase/(decrease) in carrying value	**146.6**	**(10.2)**	**136.4**	**42.4**	**(1.0)**	**41.4**
Carrying value at 1 January	**237.2**	**10.2**	**247.4**	194.8	11.2	206.0
Carrying value at 31 December	**383.8**	**–**	**383.8**	**237.2**	**10.2**	**247.4**

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.

During the year the remaining joint venture investment loans to OCB were repaid in full. This also resulted in the accelerated unwinding of the discount on the joint venture interest free loans of £0.4 million in the income statement (note 4.3). This is offset in the income statement by a corresponding accelerated unwinding of discount through the share of joint venture profit of £0.4 million (note 3.4a).

The remaining interest free loans provided to joint ventures have no fixed repayment dates. These are accordingly treated as part of the cost of the investment in the joint ventures.

c) Transactions with joint ventures

The Group acts as asset and property fund manager for the joint ventures and receives management fees in relation to these services. In addition, the Group is entitled to promote fees from USAF and UCC/LSAV if the joint ventures outperform certain benchmarks. The Group receives an enhanced equity interest in the joint ventures as consideration for the promote fee. The Group has recognised the following management fees in its results for the year.

	2014 £m	2013 £m
USAF	**6.9**	6.6
UCC/LSAV	**3.4**	3.5
OCB	**0.3**	0.9
Property management fees	**10.6**	**11.0**
UCC/LSAV	**2.7**	0.9
Development management fees	**2.7**	**0.9**
UCC/LSAV	**–**	7.5
Promote fees	**–**	**7.5**
USAF	**1.4**	–
Acquisition fees	**1.4**	**–**
Total fees	**14.7**	**19.4**

Included in share of joint venture profit in the income statement is a share of joint venture property management fee costs of £0.8 million (2013: £0.6 million). On a see-through basis these costs are deducted from the property management fees shown above, plus an adjustment for the minority interest of £0.2 million (2013: £0.2 million). This results in the net fees included in the Operating segment result (note 2.2a) of £10.0 million (2013: £10.6 million). Development management fees are included in the Property segment result (note 2.2a). Promote fees and acquisition fees are included within the unallocated to segments (note 2.2a).

Included in the movement in EPRA NAV in the year is a USAF property acquisition fee of £1.2 million. This is the gross fee of £1.4 million paid by USAF net of a £0.2 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. The rents paid were as follows:

	2014 £m	2013 £m
USAF	**1.3**	–
Lease rentals	**1.3**	**–**

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 one property to USAF for £20.1 million. The property was held on the balance sheet as investment property within non-current assets, the proceeds and carrying value of the property therefore recognised in loss on disposal of property and the cash flows in investing activities. No properties were sold to joint ventures in 2013. The profits relating to sales and associated disposal costs and related cash flows are set out below:

	Profit and loss 2014	Profit and loss 2013
	USAF £m	USAF £m
Included in loss on disposal of property (net of joint venture trading adjustment)	**0.4**	–
Profit on disposal of property	**0.4**	–

	Cash flow 2014	Cash flow 2013
	USAF £m	USAF £m
Gross proceeds	**20.1**	–
Part settled by:		
Investment in joint venture	**(10.0)**	–
Net cash flows included in cash flows from investing activities	**10.1**	–

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	
	2014 £m	2013 £m
At 1 January	**323.8**	228.4
Revaluation	**88.2**	95.4
At 31 December	**412.0**	**323.8**

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 113. 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 124.

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 (2013: £90.0 million). A further loan of £89.9 million (2013: £89.9 million) was provided to LDC (Holdings) plc in 2013 with interest chargeable at 5.0%.

A full list of the Company's subsidiaries is appended to the annual return. The Company's principal subsidiaries and joint ventures are:

	Country of incorporation	Class of shares held	Ownership interest
LDC (Holdings) plc*	England and Wales	Ordinary	100%
Unite Holdings plc*	England and Wales	Ordinary	100%
Unite Integrated Solutions plc	England and Wales	Ordinary	100%
USAF LP Ltd	England and Wales	Ordinary	100%
USAF Jersey Investments Ltd	Jersey	Ordinary	100%
Unite (Capital Cities) Jersey Ltd	Jersey	Ordinary	100%
LDC (Imperial Wharf) Ltd	England and Wales	Ordinary	100%
Unite Finance One (Property) Ltd	England and Wales	Ordinary	100%

* Held directly by the Company.

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	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Current				
In one year or less, or on demand	**12.5**	29.7	**–**	4.9
Non-current				
In more than one year but not more than two years	**40.5**	93.2	**–**	–
In more than two years but not more than five years	**106.7**	182.3	**81.2**	79.0
In more than five years	**330.1**	208.2	**90.0**	90.0
	477.3	483.7	**171.2**	169.0
Total borrowings	**489.8**	**513.4**	**171.2**	**173.9**

In addition to the borrowings currently drawn as shown above, the Group has available undrawn facilities of £76.5 million (2013: £58.2 million). A further overdraft facility of £10.0 million (2013: £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 £332.5 million (2013: £211.0 million) and the convertible bond carried at £82.5 million (2013: £80.7). The convertible bond and £90.0 million (2013: £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 £194.5 million (2013: £188.5 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 £242.5 million (2013: £119.5 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 £224.0 million (2013: £116.7 million).

Properties with a carrying value of £651.9 million (2013: £657.2 million) have been pledged as security against the Group's drawn down borrowings.

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:

	2014 £m	2013 £m
Current	**0.4**	2.0
Non-current	**1.9**	3.4
Fair value of interest rate swaps	**2.3**	**5.4**

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:	2014 £m	2013 £m
Finance income		
– Interest income on deposit	**(0.1)**	(0.3)
– Impact of discounting on interest free joint venture investment loans (note 3.4b)	**(0.4)**	(15.4)
Finance income	**(0.5)**	**(15.7)**
Gross interest expense on loans	**28.6**	25.0
Loan break costs	**1.6**	0.4
Interest capitalised	**(8.0)**	(6.1)
Loan interest and similar charges	**22.2**	19.3
Changes in mark to market of interest rate swaps not accounted for as hedges	**1.3**	(0.7)
Finance costs	**23.5**	**18.6**
Net financing costs	**23.0**	**2.9**

The average cost of the Group's wholly owned investment debt at 31 December 2014 is 5.1% (2013: 5.1%). The overall average cost of investment debt on a see-through basis is 4.7% (2013: 4.7%).

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	2014 £m	2013 £m
Cash and cash equivalents	5.1	**41.4**	43.2
Current borrowings	4.1	**(12.5)**	(29.7)
Non-current borrowings	4.1	**(477.3)**	(483.7)
Interest rate swaps liabilities	4.2	**(2.3)**	(5.4)
Net debt per balance sheet		**(450.7)**	**(475.6)**
Mark to market of interest rate swaps		**2.3**	5.4
Adjusted net debt		**(448.4)**	**(470.2)**
Reported net asset value (attributable to owners of the parent company)	2.3c	**842.5**	653.3
EPRA net asset value	2.3c	**881.1**	681.6
Gearing			
Basic (Net debt/Reported net asset value)		**53%**	73%
Adjusted gearing (Adjusted net debt/EPRA net asset value)		**51%**	69%
See-through adjusted gearing (including share of JV properties and net debt)		**79%**	98%
See-through adjusted LTV		**43%**	49%

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 development borrowings as at 31 December 2014 (2013: £17.5 million).

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 2014, 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 2014, after taking account of interest rate swaps, 100% (2013: 84%) of the Group's medium and long-term investment borrowing was held at fixed rates. Excluding the £79.6 million (2013: £133.0 million) of swaps the fixed investment borrowing is at an average rate of 4.6% (2013: 4.7%) for an average period of 7 years (2013: 7 years); including these swaps the average rate is 4.4% (2013: 4.1%).

The Group holds interest rate swaps at 31 December 2014 against £79.6 million (2013: £133.0 million) of the Group's borrowings. The maturity of these swaps and the applicable interest rates are as follows:

	2014 Nominal amount hedged £m	**2014 Applicable interest rates %**	2013 Nominal amount hedged £m	2013 Applicable interest rates %
Within one year	**23.0**	**3.0**	34.0	3.1 – 5.8
Between one and two years	**51.1**	**2.6**	55.0	2.3
Between two and five years	**–**	**–**	38.0	2.6
More than five years	**5.5**	**5.6**	6.0	5.6

During the year, if interest rates had increased/decreased by 1%, pre-tax profit for the year would have been £0.2 million (2013: £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 on the next page 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

2014

	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	**545.4**	**32.7**	**59.7**	**79.1**	**373.9**
Convertible bonds	**98.3**	**2.2**	**2.2**	**93.9**	**–**
Trade and other payables	**101.6**	**101.6**	**–**	**–**	**–**
Interest rate swaps – effective	**1.0**	**0.4**	**0.2**	**0.2**	**0.2**
Interest rate swaps – ineffective	**1.7**	**1.1**	**0.6**	**–**	**–**
	748.0	**138.0**	**62.7**	**173.2**	**374.1**

2013

	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	542.6	47.9	111.7	142.8	240.2
Convertible bonds	101.1	2.2	2.2	96.7	–
Trade and other payables	85.2	85.2	–	–	–
Interest rate swaps – effective	3.2	1.4	1.1	0.4	0.3
Interest rate swaps – ineffective	4.3	2.4	1.2	0.7	–
	736.4	139.1	116.2	240.6	240.5

During 2013 the Group issued £89.9 million of convertible bonds. The bonds have a maturity date of 10 October 2018. The bondholders may exercise the Conversion Right in certain circumstances 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 2014, 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 2014		31 December 2013	
	Weighted covenant	**Weighted actual**	Weighted covenant	Weighted actual
Loan to value	**73%**	**22%***	70%	25%*
Interest cover	**1.45**	**2.61**	1.45	2.50
Minimum net worth	**£250m**	**£881m**	£250m	£682m

* Calculated on the basis that available cash is used to reduce debt and available property can be used as additional security.

SECTION 4: FUNDING CONTINUED

4.6 Operating leases

a) Payable

Accounting policies

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense. Where the property interest under an operating lease is classified as an investment property, the property interest is accounted for as if it were a finance lease and the fair value model is used for the asset recognised.

The Group has a number of sale and leaseback properties which are accounted for as operating leases.

The total future minimum lease rentals payable under non-cancellable operating leases fall due for repayment as follows:

	2014 £m	2013 £m
Less than one year	**14.8**	14.7
Between one and five years	**57.5**	56.5
More than five years	**171.4**	183.2
Total	**243.7**	**254.4**

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 14 and 19 years and subject to annual RPI-based rent review. Two properties are subject to a fixed annual rent increase of 2%. The total operating lease expenditure incurred during the year was £14.8 million (2013: £15.0 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:

	2014 £m	2012 £m
Less than one year	**73.7**	63.4
Between one and five years	**48.3**	47.6
More than five years	**65.4**	48.0
Total	**187.4**	**159.0**

SECTION 4: FUNDING CONTINUED

4.7 Capital management

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

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

- Adjusted net debt (4.4)
- Adjusted gearing (4.4)
- See-through LTV (2.3a)
- Weighted average cost of investment debt (4.5aii)

In order to manage levels of adjusted gearing over the medium term, the Group seeks to deliver NAV growth and to recycle capital invested in lower performing assets into new assets and property developments. £71 million of property assets were sold in 2014 and we plan to sell an average of £50 million – £100 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 £35.0 million (2013: £23.2 million) during the year, thereby covering the proposed dividend of £22.5 million, 1.6 times (2013: £8.5 million, 2.7 times).

4.8 Equity

Accounting policies

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

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

	Number of ordinary shares	
	2014	2013
Issued at start of year – fully paid	**176,657,924**	160,461,442
Share placing	**24,500,000**	16,000,000
Share options exercised	**383,879**	196,482
Issued at end of year – fully paid	**201,541,803**	176,657,924

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.

On 12 April 2014 the Group completed a share placing and open offer of 24,500,000 shares, which gave rise to proceeds of £100.5 million, £96.2 million net of issue costs.

SECTION 4: FUNDING CONTINUED

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 £4.4 million (2013: £2.8 million) and paid a £6.3 million final dividend relating to the year ended 31 December 2013 (2012: £4.7 million).

After the year end, the Directors proposed a final dividend per share of 9.0p (2013: 3.2p), bringing the total dividend per share for the year to 11.2p (2013: 4.8p). No provision has been made in relation to this dividend.

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

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 2014 was £41.4 million (2013: £43.2 million).

At 31 December 2014 the Company had a cash balance of £8.6 million (2013: overdraft of £4.9 million).

The Group's cash balances include £12.8 million (2013: £13.4 million) whose use at the balance sheet date is restricted by funding agreements to pay operating costs and loan interest relating to specific properties.

SECTION 5: WORKING CAPITAL CONTINUED

5.1 Cash continued

The Group generates cash from its operating activities as follows:

		Group		Company	
	Note	**2014 £m**	2013 £m	**2014 £m**	2013 £m
Profit/(loss) for the year		**104.8**	79.3	**26.5**	(2.4)
Adjustments for:					
Depreciation and amortisation	3.3	**2.5**	2.2	**–**	–
Fair value of share based payments	6.1	**2.1**	1.1	**–**	–
UCC promote		**–**	(7.5)	**–**	–
Dividends received		**–**	–	**(28.1)**	–
Change in value of investment property	3.1	**(43.3)**	(35.4)	**–**	–
Net finance costs	4.3	**23.0**	2.9	**(0.6)**	0.1
Loss on disposal of investment property		**1.0**	1.0	**–**	–
Share of joint venture profit	3.4b	**(56.5)**	(9.2)	**–**	–
Trading with joint venture adjustment		**1.4**	2.4	**–**	–
Tax charge/(credit)	2.5a	**3.6**	(2.2)	**–**	–
Cash flows from operating activities before changes in working capital		**38.6**	**34.6**	**(2.2)**	**(2.3)**
Decrease in trade and other receivables		**6.6**	3.6	**–**	–
Increase in completed property and property under development		**(8.6)**	(35.0)	**–**	–
Increase in inventories		**(0.7)**	(1.5)	**–**	–
Increase/(decrease) in trade and other payables		**8.8**	4.9	**(0.5)**	(0.2)
Decrease in provisions		**–**	(0.7)	**–**	–
Cash flows from operating activities		**44.7**	**5.9**	**(2.7)**	**(2.5)**

Cash flows consist of the following segmental cash inflows/(outflows): Operations £35.0 million (2013: £23.2 million), property (£16.0 million) (2013: (£94.0 million)) and unallocated (£20.8 million) (2013: £38.6 million). The unallocated amount includes Group dividends (£10.7 million) (2013: (£7.5 million)), tax payable of (£0.5 million) (2013: (£0.7 million)), investment in joint ventures (£105.4 million) (2013: (£11.8 million)), contributions to the Unite foundation (£0.9 million) (2013: (£0.5 million)) and amounts received from shares issued £96.7 million (2013: £59.0 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	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Trade receivables	**1.9**	2.2	**–**	–
Amounts due from Group undertakings	**–**	–	**494.4**	393.5
Amounts owed by joint ventures	**28.1**	29.3	**–**	–
Prepayments and accrued income	**11.5**	15.3	**–**	–
Other receivables	**1.9**	3.2	**–**	–
Trade and other receivables	**43.4**	**50.0**	**494.4**	**393.5**

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.

2014

	Ageing by academic year			
	Total £m	**2014/15 £m**	**2013/14 £m**	**Prior years £m**
Rental debtors				
Commercial tenants (past due and impaired)	**0.6**	**0.4**	**0.1**	**0.1**
Individual tenants (past due and impaired)	**3.0**	**1.9**	**0.9**	**0.2**
Provisions carried	**(1.7)**	**(0.6)**	**(0.9)**	**(0.2)**
Rental debtors (past due but not impaired)	**1.9**	**1.7**	**0.1**	**0.1**
Manufacturing debtors (not past due or impaired)	**–**	**–**	**–**	**–**
Trade receivables	**1.9**	**1.7**	**0.1**	**0.1**

2013

	Ageing by academic year			
	Total £m	2013/14 £m	2012/13 £m	Prior years £m
Rental debtors				
Commercial tenants (past due and impaired)	1.2	0.5	0.4	0.3
Individual tenants (past due and impaired)	2.4	1.6	0.7	0.1
Provisions carried	(1.5)	(0.4)	(0.8)	(0.3)
Rental debtors (past due but not impaired)	2.1	1.7	0.3	0.1
Manufacturing debtors (not past due or impaired)	0.1	–	0.1	–
Trade receivables	**2.2**	**1.7**	**0.4**	**0.1**

Amounts receivable from joint ventures are not past due or impaired.

SECTION 5: WORKING CAPITAL CONTINUED

5.2 Trade and other receivables continued

Movements in the Group's provision for impairment of trade receivables can be shown as follows:

	2014 £m	2013 £m
At 1 January	**1.5**	3.4
Impairment charged to income statement in year	**0.5**	0.5
Receivables written off during the year (utilisation of provision)	**(0.3)**	(2.4)
At 31 December	**1.7**	**1.5**

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	**2014 £m**	2013 £m
Cash	5.1	**41.4**	43.2
Trade receivables	5.2	**1.9**	2.2
Amounts due by joint ventures (excluding loans that are capital in nature)	5.2	**28.1**	29.3
Joint venture investment loans	3.4b	**–**	10.2
		71.4	**84.9**

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 three groups – (i) students (individuals), (ii) commercial organisations including Universities and (iii) manufacturing customers. The Group's exposure to credit risk is influenced by the characteristics of each customer. The Group holds tenant deposits of £8.3 million (2013: £8.1 million) as collateral against individual customers.

c) Joint ventures

Amounts receivable from joint ventures fall into two categories – working capital balances and investment loans.

SECTION 5: WORKING CAPITAL CONTINUED

5.4 Trade and other payables

Accounting policies

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

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

	Group		Company	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Trade payables	**16.6**	16.5	**–**	–
Retentions on construction contracts for properties	**4.0**	2.2	**–**	–
Amounts due to Group undertakings	**–**	–	**59.6**	59.4
Other payables and accrued expenses	**46.5**	35.5	**2.5**	3.0
Deferred income	**34.5**	31.0	**–**	–
Trade and other payables	**101.6**	**85.2**	**62.1**	**62.4**

Other payable and accrued expenses include £8.3 million (2013: £8.1 million) in relation to customer deposits. These will be returned at the end of the tenancy subject to the condition of the accommodation and payment of any outstanding amounts. Deferred income relates to rental income that has been collected in advance of it being recognised as revenue.

5.5 Transactions with other Group companies

During the year, the Company entered into various interest free loans with its subsidiaries, the aggregate of which are disclosed in the cash flow statement. In addition, the Company was charged by Unite Integrated Solutions plc for corporate costs of £2.2 million (2013: £2.2 million).

As a result of these intercompany transactions, the following amounts were due (to)/from the Company's subsidiaries at the year end.

	2014 £m	2013 £m
Unite Holdings plc	**89.6**	81.2
LDC (Holdings) plc	**404.8**	312.3
Amounts due from Group undertakings	**494.4**	**393.5**
Unilodge Holding Ltd	**(27.7)**	(27.7)
Unilodge Holdings (UK) Ltd	**(30.5)**	(30.5)
Unite Jersey Issuer Ltd	**(1.4)**	(1.2)
Amounts due to Group undertakings	**(59.6)**	**(59.4)**

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

The Company has guaranteed £154 million of its subsidiary companies borrowings (2013: £164 million). The guarantees have been entered into in the normal course of business. A liability would only arise in the event of the subsidiary failing to fulfil its contractual obligations. These guarantees are accounted for in accordance with IFRS 4.

SECTION 6: KEY MANAGEMENT AND EMPLOYEE BENEFITS

The Group's greatest resource is its staff and it works hard to develop and retain its people. The remuneration policies in place are aimed to help recognise the contribution that Unite's people make to the performance of the Group.
Over the next two 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	
	2014	2013
Managerial and administrative	**323**	286
Site operatives	**654**	604
	977	**890**

The aggregate payroll costs of these persons were as follows:

	2014 £m	2013 £m
Wages and salaries	**33.5**	29.8
Social security costs	**3.6**	3.3
Pension costs	**1.0**	0.7
Fair value of share based payments	**2.1**	1.1
	40.2	**34.9**

The wages and salaries costs include redundancy costs of £1.0 million (2013: £0.4 million).

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.

SECTION 6: KEY MANAGEMENT AND EMPLOYEE BENEFITS CONTINUED

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 62 to 83, which covers the requirements of schedule 5 of the relevant legislation.

6.3 Share based compensation

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

a) Share schemes

The Group operates the following schemes:

Executive share option scheme – 'The Approved Scheme' Executive share option scheme – 'The Unapproved Scheme' Executive Long-Term Incentive Plan (LTIP)	} Details can be found in the Directors' Remuneration Report
Save As You Earn Scheme (SAYE)	Open to employees, vesting periods of three to five years, service condition
Employee Share Ownership (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 2014	**Number of options (thousands) 2014**	Weighted average exercise price 2013	Number of options (thousands) 2013
Outstanding at 1 January	**£0.48**	**4,179**	£0.52	3,720
Forfeited during the year	**£0.78**	**(383)**	£0.18	(258)
Exercised during the year	**£0.60**	**(1,076)**	£1.34	(277)
Granted during the year	**£1.11**	**898**	£0.51	994
Outstanding at 31 December	**£0.57**	**3,618**	£0.48	4,179
Exercisable at 31 December	**£0.50**	**133**	£2.21	181

For those options exercised in the year, the average share price during 2014 was £4.32 (2013: £3.75).

For those options still outstanding, the range of exercise prices at the year end was 0p to 429p (2013: 0p to 319p) and the weighted average remaining contractual life of these options was 0.3 years (2013: 0.2 years).

The Group funds the purchase of its own shares by the 'Employee Share Ownership Trust' to meet the obligations of the LTIP and executive bonus scheme. The purchases are shown as 'Own shares acquired' in retained earnings.

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

FINANCIAL RECORD

		2014	2013	2012	2011	2010	2009
EPRA NAV per share (pence)		**434**	382	350	318	295	265
NAV per share (pence)		**416**	370	321	242	242	229
EPRA NAV (£m)		**881**	682	567	515	475	423
IFRS net assets (£m)		**843**	653	516	388	388	366
Managed portfolio value (£m)		**2,951**	2,736	2,688	2,502	2,334	2,039
LTV adjusted see-through (%)		**43%**	49%	52%	54%	54%	56%
Net portfolio contribution (£m)		**39**	26	19	11	4	1
EPRA earnings (£m)		**33**	23	16	(17)	(5)	(4)
Profit/(loss) before tax (£m)		**108**	77	126	5	24	(35)
EPRA earnings per share (pence)		**17**	18	10	(11)	(3)	(3)
EPRA earnings per share (recurring)*	(pence)	**17**	14	10	3	(3)	(3)
IFRS Earnings per share	(pence)	**53**	46	78	1	12	(26)

* Excludes UCC promote in 2013 and UMS loss in 2011.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of The Unite Group plc (the Company) will be held at The Core, 40 St Thomas Street, Bristol BS1 6JX at 9.30am. on 14 May 2015 for the purpose of considering and, if thought fit, passing Resolutions 1 to 15 (inclusive) as ordinary resolutions and Resolutions 16 and 17 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 2014 together with the Directors' and auditors' report on those annual accounts (the Annual Report and Accounts).

Annual Report on Remuneration

2. To approve the Annual Statement by the Chairman of the Remuneration Committee and the Annual Report on Remuneration for the year ended 31 December 2014 set out on pages 62 to 71 (inclusive) and pages 72 to 83 (inclusive) respectively in the Annual Report and Accounts.

Final dividend

3. To declare a final dividend for the year ended 31 December 2014 of 9p per ordinary share payable on 19 May 2015 to shareholders on the register of members of the Company at the close of business on 24 April 2015.

Re-election of Directors (Resolutions 4 to 12)

4. To re-elect Mr P M White as a Director of the Company.
5. To re-elect Mr M C Allan 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 Mr R S Smith as a Director of the Company.
9. To re-elect Mrs M K Wolstenholme as a Director of the Company.
10. To re-elect Sir Tim Wilson as a Director of the Company.
11. To re-elect Mr A Jones as a Director of the Company.
12. To re-elect Ms E McMeikan as a Director of the Company.

Auditors (Resolutions 13 and 14)

13. To appoint KPMG LLP as auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next general meeting at which accounts are laid before the Company.
14. To authorise the Directors to determine the remuneration of the auditors.

Authority to allot shares

15. That, in substitution for any equivalent authorities and powers granted to the Directors prior to the passing of this Resolution, the Directors be and are generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 (the Act):

    (a) To exercise all powers of the Company to allot shares in the Company, and grant rights to subscribe for or to convert any security into shares of the Company (such shares, and rights to subscribe for or to convert any security into shares of the Company being 'relevant securities'), up to an aggregate nominal amount of £16,796,593 (such amount to be reduced by the nominal amount of any allotments or grants made under paragraph (b) below in excess of £16,796,593;

    (b) To allot equity securities (as defined in Section 560(1) of the Act) up to an aggregate nominal amount of £33,593,186 (such amount to be reduced by the nominal amount of any allotments or grants made under paragraph (a) above) in connection with an offer by way of rights issue:

        (i) In favour of holders of ordinary shares in the capital of the Company, where the equity securities respectively attributable to the interests of such holders are proportionate (as nearly as practicable) to the respective number of ordinary shares in the capital of the Company held by them

        (ii) To holders of any other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary

    but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with in relation to treasury shares, fractional entitlements or legal, regulatory or practical problems arising under the laws or requirements of any overseas territory or by virtue of shares being represented by depository receipts or the requirements of any relevant regulatory body or stock exchange or any other matter whatsoever, provided that this authority shall expire (unless previously renewed, varied, extended or revoked by the Company in general meeting) on the date falling 15 months from the passing of this Resolution or, if earlier, at the conclusion of the next Annual General Meeting of the Company to be held following the passing of this Resolution, save that the Company may at any time before such expiry make an offer or enter into an agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if this authority had not expired.

SPECIAL RESOLUTIONS

Authority to disapply pre-emption rights

16. That, in accordance with Section 570(1) of the Act, the Directors be and are empowered to allot equity securities (as defined in Section 560 of the Act) of the Company wholly for cash pursuant to the general authority under Section 551 of the Act conferred on them by Resolution 15 above as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited:

    (a) to the allotment of equity securities in connection with an offer of, or invitation to apply for, equity securities in favour of ordinary shareholders in the capital of the Company in the register of members of the Company on a date fixed by the Directors where the equity securities respectively attributable to the interests of all those shareholders are proportionate (as nearly as practicable) to the respective numbers of ordinary shares in the capital of the Company held by them on that date, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal, regulatory or practical problems arising under the laws or requirements of any overseas territory or by virtue of shares being represented by depository receipts or the requirements of any relevant regulatory body or stock exchange or any other matter whatsoever; and

    (b) to the allotment (other than under (a) above) of equity securities having a nominal value not exceeding in aggregate £2,519,489; and

    (c) to the allotment (other than under (a) above and in addition to (b) above) of equity securities having a nominal value not exceeding in aggregate £2,519,489 in connection with 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,

and, unless previously revoked, varied or extended, this authority shall expire 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 this authority expires, make an offer or agreement which would or might require equity securities to be allotted after it expires and the Directors may allot equity securities in pursuance of such offer or agreement as if this authority had not expired and provided further that this authority shall supersede and revoke all previous authorities under Section 570(1) of the Act.

17. 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
Dated 23 February 2015

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 the offices of the Company, The Core, 40 St Thomas Street, Bristol BS1 6JX in good time before the meeting, which will commence at 9.30am. In order to gain admittance to the meeting, members may be required to produce their attendance card, which is attached to the form of proxy enclosed with this document, or otherwise prove their identity.

2. A member of the Company who is entitled to attend, speak and vote at the meeting and who is unable or does not wish to attend the meeting is entitled to appoint a proxy to exercise all or any of his/her rights to attend and to speak and vote on his/her behalf at the meeting. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares (so a member must have more than one share to be able to appoint more than one proxy). A proxy need not be a member of the Company but must attend the meeting to represent his/her appointing member. Appointing a proxy will not prevent a member from attending in person and voting at the meeting although voting in person at the meeting will terminate a member's proxy appointment. A proxy must vote in accordance with any instructions given by the member by whom the proxy is appointed. A form of proxy which may be used to make such appointment and give proxy instructions accompanies this notice. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

3. To be valid, any form of proxy, and the original or duly certified copy of the power of attorney or other authority (if any) under which it is signed or authenticated, must be received by hand or by post at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY, no later than 9.30am on 12 May 2015.

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 9.30am on 12 May 2015. 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 12 May 2015 (or, if the meeting is adjourned, 48 hours before the timed fixed for the adjourned meeting) shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. In each case, changes to the register of members of the Company after such time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

14. As at 23 February 2015 (being the last practicable business day prior to the publication of this Notice), the Company's issued share capital comprised 201,559,116 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 23 February 2015 are 201,559,116.

15. You may not use any electronic address provided either in this notice of meeting or any related documents (including the proxy form) to communicate with the Company for any purposes other than those expressly stated.

16. Members attending the meeting have the right to ask and, subject to the provisions of the Act, the Company must cause to be answered, any questions relating to the business being dealt with at the meeting.

17. The following information is available at www.unite-group.co.uk: (1) the matters set out in this notice of Annual General Meeting; (2) the total numbers of shares in the Company in respect of which members are entitled to exercise voting rights at the meeting; (3) the totals of the voting rights that members are entitled to exercise at the meeting; and (4) members' statements, members' resolutions and members' matters of business received by the Company after the date on which notice of the meeting was given.

18. It is possible that, pursuant to requests made by members of the Company under Section 527 of the Act, the Company may be required to publish on a website a statement setting out any matter relating to: (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting; or (b) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Act. The Company may not require the members requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under Section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under Section 527 of the Act to publish on a website.

19. In accordance with Section 338 of the Act, a member or members of the Company may (provided that the criteria set out in Section 338(3) of the Act are met) require the Company to give to members notice of a resolution which may properly be moved and is intended to be moved at the meeting, provided that: (a) the resolution must not be, if passed, ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise); and (b) the resolution must not be defamatory of any person, frivolous or vexatious. Such a request may be in hard copy form or in electronic form, must be authenticated by the person or persons making it, must identify the resolution of which notice is to be given and must be received by the Company not later than six weeks before the meeting, or, if later, the time at which notice is given of the meeting. (In the foregoing sentence, the terms 'hard copy form', 'electronic form' and 'authenticated' bear their respective meanings set out in the Act in relation to a communication, or a document or information sent or supplied, to a company.)

20. In accordance with Section 338A of the Act, a member or members of the Company may (provided that the criteria set out in Section 338A (3) of the Act are met) require the Company to include in the business to be dealt with at the meeting a matter (other than a proposed resolution) which may properly be included in the business of the meeting, provided that the matter is not defamatory of any person, frivolous or vexatious. A request may be in hard copy form or electronic form, must identify the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person or persons making it and must be received by the Company not later than six weeks before the meeting, or, if later, the time at which notice is given of the 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 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.

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 diluted 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 going concern 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 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 the year and the new combined entity is referred to as LSAV.

MINIMUM NET WORTH
Minimum net worth covenant measures the value of the Company against an absolute target.

NET INITIAL YIELD (NIY OR YIELD)
The net operating income generated by a property expressed as a percentage of its value, taking into account notional acquisition costs.

NET OPERATING INCOME (NOI)
The rental income from rental properties less those operating costs directly related to the property, therefore excluding central overhead.

NET RENTAL GROWTH
The annual growth in net operating income (measured on a like-for-like basis, ie excluding impact of completion and disposals).

NOMINATIONS
Properties where Universities have entered into a contract to guarantee occupancy. The Universities nominate students to live in the building and Unite enters into short-hold tenancies with the students.

NON-CORE ASSETS
Properties which do not fit with the Group's long-term investment strategy, because of either their location or their size.

OCB
Established a joint venture with Oasis Capital (OCB) in August 2009. The three assets located in London were all sold in 2014.

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 which 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.

STABILISING ASSETS

Properties that have recently been developed and are not yet generating their optimal net operating income.

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 £254.6 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).

UCC

Unite Capital Cities (UCC) was established in 2005 as a joint venture between Unite and GIC Real Estate. It is a closed-ended vehicle due to mature in 2022 and was established by Unite to develop and operate student accommodation in London and Edinburgh. UCC equity is now fully invested and all development projects have been completed. LSAV and UCC were merged during the year and the new combined entity is referred to as LSAV.

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

Mark Allan
Chief Executive Officer

Joe Lister
Chief Financial Officer

Richard Simpson
Managing Director of Property

Richard Smith
Managing Director of Operations

Registered Office

The Core
40 St Thomas Street
Bristol BS1 6JX

Registered Number in England

3199160

Company Secretary
Christopher Szpojnarowicz

Auditor

KPMG LLP
15 Canada Square
London E14 5GL

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

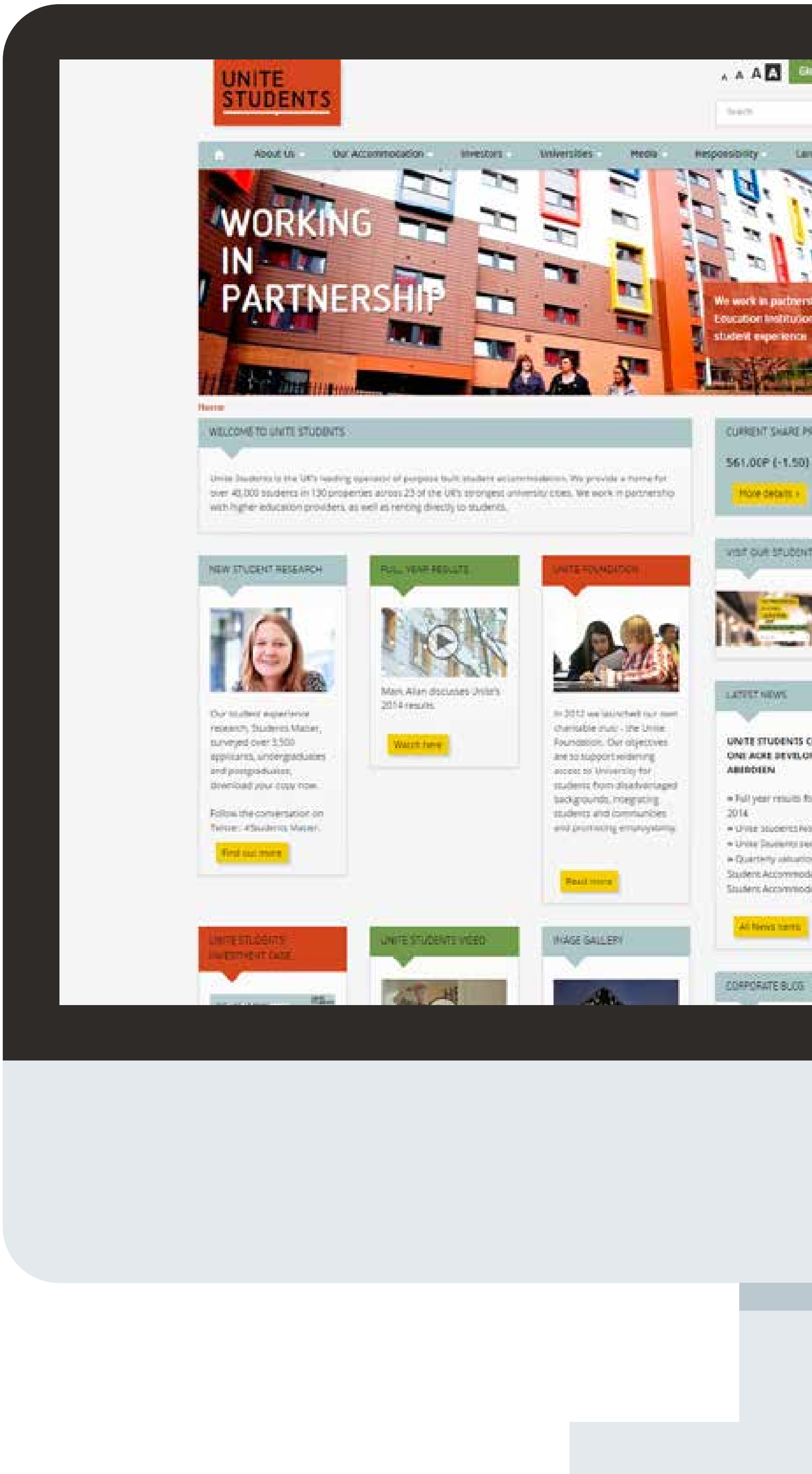
Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH

Financial PR Consultants
Bell Pottinger
Holborn Gate
26 Southampton Buildings
London WC2A 1PB

WHERE TO FIND OUT MORE

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.

www.unite-group.co.uk



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