The heart of student living UNITE

Sustainable growth from strong foundations

The UNITE Group plc
Annual Report and Accounts 2013

We are the UK's leading manager and developer of student accommodation. We provide a home for 41,000 students in over 120 purpose built properties across 23 of the UK's strongest University towns and cities. We have nearly 1,000 employees and work in partnership with over 50 Higher Education providers, as well as renting rooms directly to students.

Our culturally-diverse customers are at the heart of our business and we aim to provide a home for students that supports their success, whether defined as academic achievement, personal growth or employability. Our properties provide high quality, well-located, safe accommodation that is 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.

Strategic report

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Financial highlights

Continued momentum

- Continued strong performance built around high levels of service
- Significant, fully funded, development programme secured, underpinning attractive growth prospects
- Positive market outlook supported by encouraging reservations performance
- Capital structure strengthened

Net asset value
382pps

2009	265
2010	295
2011	318
2012	350
2013	382

Occupancy
98%

2009	97
2010	97
2011	99
2012	96
2013	98

Adjusted EPS
14pps

2009	(3)p
2010	(3)p
2011	3p
2012	10p
2013	14p

Net portfolio contribution
£25.6m

2009	0.6
2010	4.1
2011	11.0
2012	19.1
2013	25.6

See-through LTV
49%

2009	56
2010	54
2011	54
2012	52
2013	49

Dividend
4.8pps

2009	–
2010	–
2011	1.75
2012	4.0
2013	4.8

Building on our success

Achieved planning consent on three sites

We gained planning permission for a new 759 bed development in Stratford, Angel Lane, which is due to open in 2015, and achieved consent for additional rooms in properties in Bristol and Coventry.

Launched Wellbeing programme

We launched our student Wellbeing programme at the start of the academic year. Each UNITE property established a designated area offering advice on a wide range of issues to help students settle into their new home, creating a healthy, positive and supportive culture that allows students to flourish.

Student Accommodation Operator of the Year

UNITE won the inaugural RESI award for Student Accommodation Operator of the Year, recognising our achievements in delivering an exceptional student experience, profitable occupancy rates and the best management of our portfolios and assets nationally. The judges said: "UNITE observes a high standard of thought and care that the RESI industry in general should take on board."

Secured six new sites

We secured six new development sites which will add 3,530 beds to our portfolio. A turnkey development in Huddersfield opens in 2014, while the other five development sites in Aberdeen, Edinburgh, Newcastle and two sites in London (Wembley and Islington), open in 2016.

Award-winning refinancing

In recognition of our Treasury Team's achievements, including refinancing 66% of UNITE's debt and increasing our unsecured borrowings, we won the Association of Corporate Treasurers UK Treasury Team of the Year Award for companies with a market cap below £2 billion. The judges said: "UNITE's Treasury Team did a lot in a short space of time."

Share placing

We completed a £51 million share placing in June that allowed us to secure new development sites in strong regional University cities. The three sites in Edinburgh, Aberdeen and Newcastle, together with a fourth site that is under offer, mean that the proceeds from the placing are now fully deployed.

Installed high speed Wi-Fi throughout all our properties

We raised over £1 billion of funding through innovative financing

Chairman's statement

Working in partnership

In 2013 the business continued to build on the positive momentum of recent years. EPRA adjusted earnings per share increased to 18.0 pence, 13.6 pence excluding the UCC performance fee (2012: 9.9 pence), and adjusted NAV per share (fully diluted) rose 9.1% to 382 pence from 350 pence a year earlier. We are declaring a final dividend of 3.2 pence per share (2012: 3.0 pence), making 4.8 pence for the full year (2012: 4.0 pence), a 20% rise. Including dividends, the business delivered a total return on equity of 10.5% for the year.

Importantly, the business' performance has been based on continued improvements to service levels which further enhance our brand. Our most recent service satisfaction surveys again saw an increase to highest ever levels and we have clear plans in place to build on this further in 2014.

Alongside the delivery of a strong financial performance we also achieved a number of important milestones which will underpin growth in the coming years. We have transformed our capital base and created the capacity to expand our portfolio, further strengthened our operating platform and brand and grown our secured development pipeline meaningfully. All of these things give us confidence that our growth and performance are sustainable.

The basis of our continued progress remains our dedicated teams of people throughout the business. I would like to congratulate them on their achievements in 2013 and thank them for their continued significant contribution.

At Board level, Liz McMeikan joined us as a Non-Executive Director in February 2014 and Richard Walker, who acts as Chair of both the Remuneration and Health and Safety Committees, will retire at the next AGM after nine years' valued service. I would like to thank Richard for his contribution throughout his time on the Board and warmly welcome Liz.

Our market outlook is the most encouraging it has been for a number of years. Government policy is clearly supportive of increasing University enrolment, from which our investment portfolio and development pipeline are well positioned to benefit, and we are currently seeing little sign of inflationary pressure to our key input costs. We remain conscious of the risks inherent in a fragile economic recovery but look forward with optimism.

Phil White CBE
Chairman
6 March 2014

Committed to good governance

We are committed to high standards of corporate governance at UNITE and believe it is central to the continued strong performance and sustainable growth of the business, and to maintaining the confidence of our shareholders. For us, good governance is about responsible and effective management of the business in a way which demonstrates honesty, transparency and accountability.

In 2013, our Board adopted the revisions to the UK Corporate Governance Code, introduced in September 2012 and also the Large and Medium-sized Companies and Group Regulations 2013.

See page 50 for the Chairman's introduction to governance.

Board breakdown

Chairman	1
Executive	4
Non-Executive	5

A diverse workforce

UNITE has a culturally-diverse customer base and we value diversity among our employees at all levels. 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.

See page 49 for UNITE's diversity policy.

Phil White
Chairman

Mark Allan
Chief Executive

Joe Lister
Chief Financial Officer

Richard Simpson
MD of Property

Richard Smith
MD of Operations

Manjit Wolstenholme
Senior Independent Director

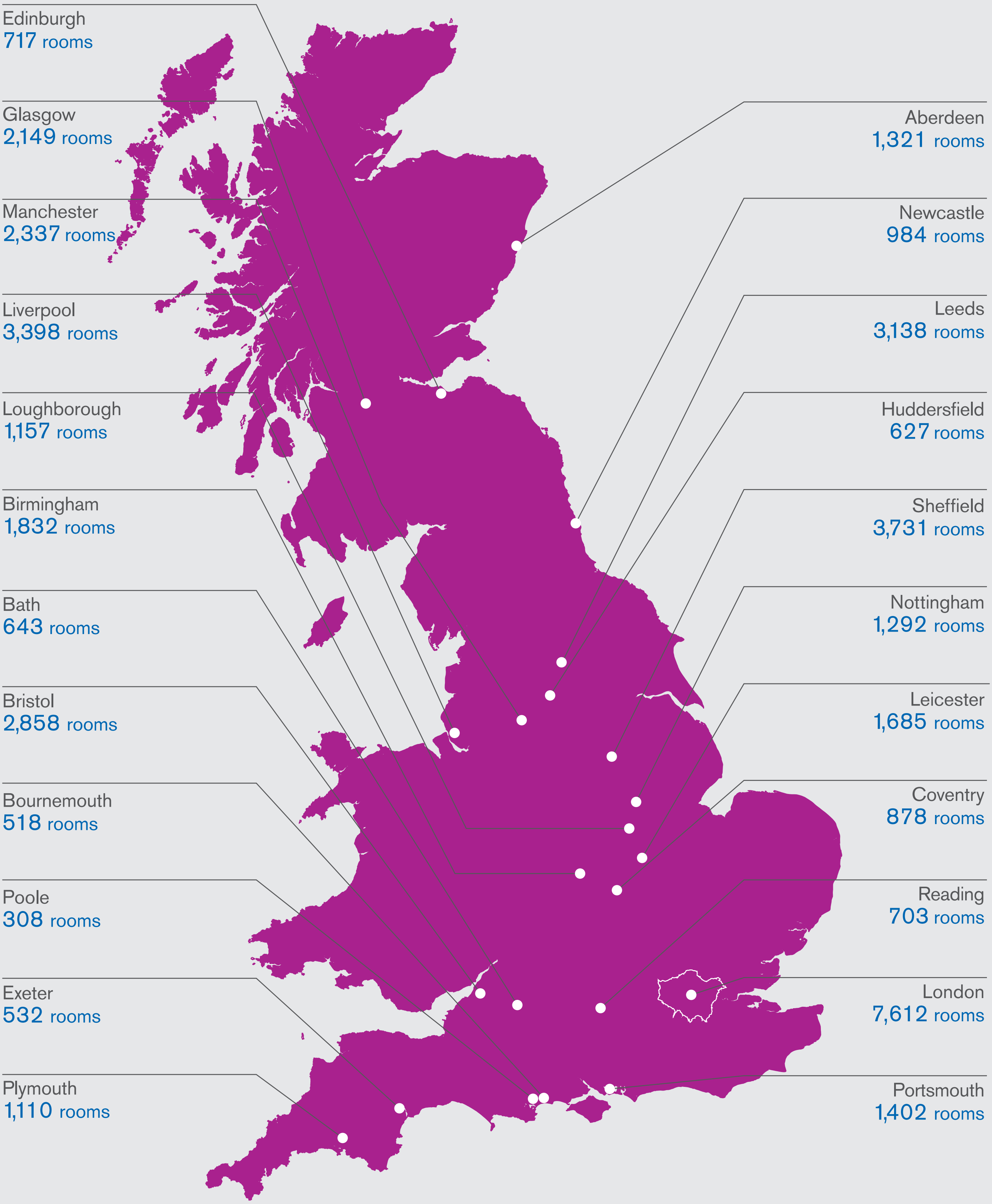
Elizabeth McMeikan
Non-Executive Director

Richard Walker
Non-Executive Director

Professor Sir Tim Wilson
Non-Executive Director

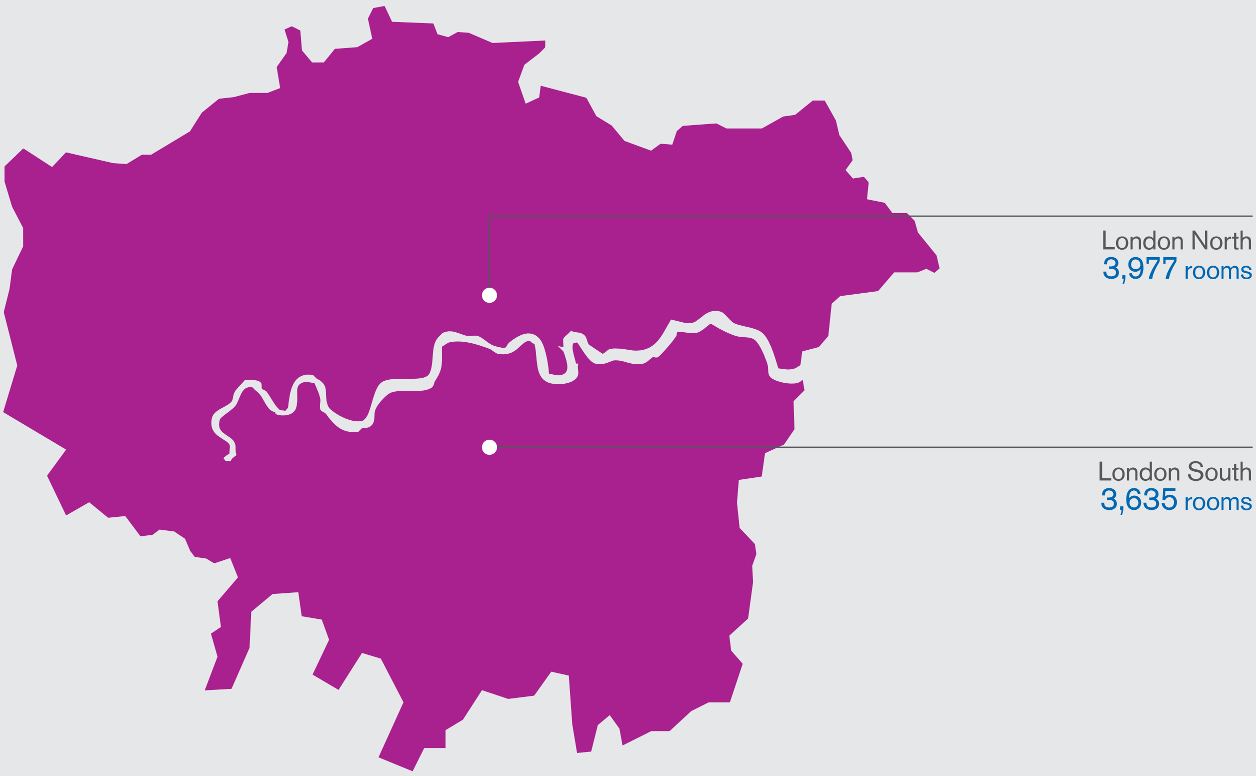
Andrew Jones
Non-Executive Director

A leading operator of purpose built student accommodation



Top ten markets

2013 rank	2012 rank	City	Completed beds	FT student numbers	Projected market share
1	1	London	7,612	281,495	2.7%
2	2	Sheffield	3,731	46,889	8.0%
3	3	Liverpool	3,398	52,742	6.4%
4	4	Leeds	3,138	49,779	6.3%
5	5	Bristol	2,858	38,334	7.5%
6	6	Manchester	2,337	76,562	3.1%
7	7	Glasgow	2,149	50,883	4.2%
8	9	Birmingham	1,832	56,391	3.2%
9	10	Leicester	1,685	29,292	5.8%
10	11	Portsmouth	1,402	18,720	7.5%
			30,142	701,087	4.3%
Proportion of UNITE portfolio			73%		



Our top ten managed properties by value

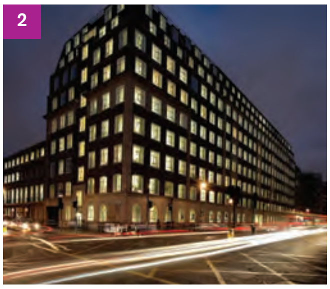
A strong national portfolio

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 is well located for King's College London's main teaching campuses.

2



Woburn Place, London
Beds: 462 (UCC)

Woburn Place is ideally located adjacent to three University campuses at the heart of student life in central London.

3

Woodland Court, London
Beds: 577 (OCB)

Shared en-suite flats set around a communal courtyard, one stop from King's Cross underground.

4

Emily Bowes, 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.

5

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 the city's Universities.

6

Sky Plaza, Leeds
Beds: 964 (USAF)

Modern premises completed in 2006 convenient for both Universities in Leeds. The property offers a range of en-suite rooms in 3-6 bedroom flats.

7

The Forge, Sheffield
Beds: 1,157 (Wholly owned)

Campus-style living within a city centre environment that includes retail facilities let to Sainsbury's and Wilkinsons.

8

Parkway Gate, Manchester
Beds: 729 (Wholly owned)

Our architectural flagship building in the centre of Manchester ideally located for the two main Universities in the city.

9

North Lodge, London
Beds: 528 (LSAV)

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

10

Wedgwood Court, London
Beds: 323 (OCB)

Immediately opposite London Metropolitan University, offering shared flats for 2, 4, 5, and 6 people and a range of studios with retail units let to Sainsbury's and Costa Coffee.

Property ownership is noted in brackets:

LSAV London Student Accommodation Venture
OCB Oasis Capital Bank
UCC UNITE Capital Cities
USAF UNITE UK Student Accommodation Fund

Understanding our market

Student intake in 2013/14 saw a 37,000 increase in UK and EU student enrolment year on year. This saw student numbers return to pre-2011 levels following the slight dip in 2012/13 after Government changes to the University funding system and the allocation of places. There were 677,000 applicants competing for 496,000 places, meaning that approximately 181,000 people failed to secure a place. This surplus of applicants over available places provides comfort that student numbers should be maintained at or above current levels in the future. As at 31 January 2014, applications for the next academic year (2014/15) were up a further 4% year on year.

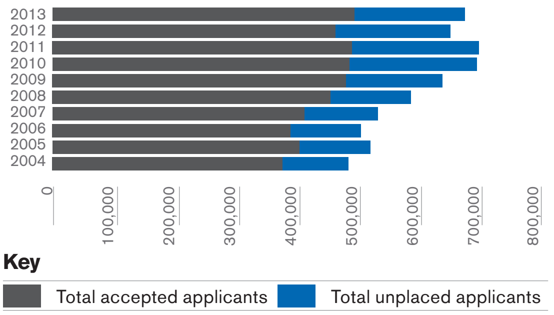
The market has seen a continued increase in both non-EU and EU students choosing to study in the UK. There are currently 106,000 EU students in the UK, an increase of 55% in the last ten years, and EU applications for 2014/15 were up 5% (as at January 2014). We expect EU demand to remain healthy for the foreseeable future.

In recent years non-EU student numbers have grown steadily, with applications up 9% compared with 2010, and this has been achieved despite a tightening of student visa regulations. There are currently 268,000 non-EU students studying in the UK, representing 16% of total full-time students and 20% of full-time students requiring accommodation. The UK has a 13% share of the global international student market and if this share is maintained a recent Organisation for Economic Co-operation and Development (OECD) forecast suggests an additional 250,000 non-EU students could be studying in the UK by 2025.

In his 2013 Autumn Statement, the Chancellor announced his intention to fund an additional 30,000 University places for 2014/15 and to remove the student number cap completely from 2015, which the Treasury anticipates could lead to an increase in enrolments of up to 60,000 (12%) UK and EU students, compared to current levels. We have not yet factored this into our forecasts.

UCAS application figures

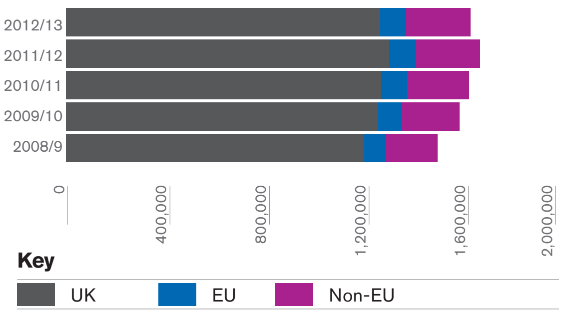
181,000
Unplaced applicants in 2013



Source: UCAS

Number of full-time students in UK

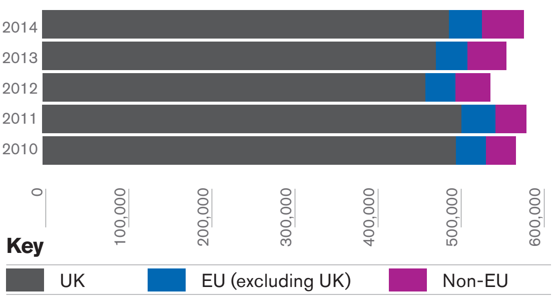
1.65m
Full-time students in 2013/14



Source: HESA 2012/13 Data – full-time students

Origin of University applicants

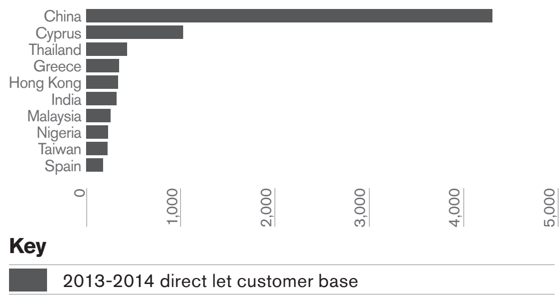
374,000
International students in the UK in 2013/14



Source: UCAS

UNITE's top 10 international markets

13%
UK's share of the international student market



Source: UNITE

Market review continued

The significant growth in full-time student numbers over the past 20 years has led to a significant demand/supply imbalance in the student accommodation sector.

Taking into account the above factors, longer term we expect demand for UK Higher Education to remain strong, both from domestic and international students. Stronger Universities, where UNITE has concentrated its activities, 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.

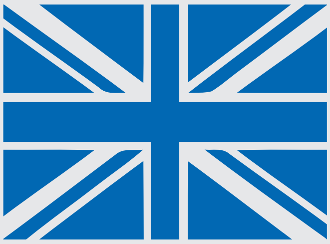
The significant growth in full-time student numbers over the past 20 years has led to a significant demand/supply imbalance in the student accommodation sector and this is likely to remain, and potentially widen, over the next few years. New accommodation supply is likely to be constrained for some time due primarily to lack of capital and although this will ease as credit conditions improve and regional economies recover, it is unlikely that the rate of new supply will keep pace with the overall growth in student numbers in stronger towns and cities.

As a result of the favourable demand/supply dynamics we continue to believe that the rental growth outlook will be positive for some time. We have forecast rental growth of 3% for 2014/15 and consider the outlook to be positive thereafter. Our view of rental growth could be further positively affected by the planned removal of the student number cap from 2015/16 referred to above. If implemented, this could lead to a substantial rise in student numbers at a time when the level of new accommodation supply is still constrained and, again, stronger Universities are going to be best placed to benefit.

New competitors have entered the sector over the past two to three years and others are likely to do so in due course. However these operators tend to lack scale, which we believe places them at a disadvantage. At the same time, a number of longer standing competitors face certain financial challenges which are likely to restrict their ability to grow and invest in their businesses for the long term. Against this backdrop, and with a positive market outlook, we believe it is vital that we invest carefully in enhancing our brand and service platform to create genuine, sustainable competitive advantage. This will then form the basis of continued positive performance in the longer term.

Contribution of students to the UK economy

Higher Education contributes £17.5 billion to the UK economy. Student numbers have returned to pre-2011 numbers, their highest ever levels, and the number and quality of leading Higher Education institutions in the UK continue to make it an attractive destination for both international and EU students. With student numbers forecast to rise further following the Government's decision to remove the number cap from 2015, the value students bring to the UK economy is likely to grow.



830,000 jobs

Student expenditure supports over 830,000 UK jobs. In the UK, the number of people employed directly and indirectly supported by student spending is more than the total population of Liverpool.

(Source: NUS, Student Contribution to the UK Economy, 2013)

374,000

There were 1.65 million full-time students in 2012/13, 268,000 were international students and 106,000 were EU students.

(Source: HESA 2014)

£17.5bn

UK's education exports were estimated to be worth £17.5bn to the UK economy in 2012/13.

(Source: HM Government, International Education: Global Growth and Prosperity, 2013)

£80.0bn

Student spending supported over £80 billion of UK economic output.

(Source: NUS, Student Contribution to the UK Economy, 2013)

£8.3bn

International students contributed £6.3 billion in living expenses and £3.9 billion in tuition fees to the UK economy in 2012/13.

(Source: HM Government, International Education: Global Growth and Prosperity, 2013)

A year of progress

Throughout 2013 we continued to deliver the clear, consistent strategy that has underpinned performance since 2010. This strategy has been based on three priorities:

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

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

Financial highlights

	2013	2012
NPC	**£25.6m**	£19.1m
EPRA earnings per share	**18.0p**	9.9p
Adjusted earnings per share (pre UCC performance fee)	**13.6p**	9.9p
NAV per share (adjusted, fully diluted)	**382p**	350p
Full year dividend declared	**4.8p**	4.0p
Total return (NAV growth plus dividends)	**10.5%**	11.3%
See-through LTV ratio	**49%**	52%
Operating cash flow	**£23.2m**	£17.2m

The business has now delivered an average total return on equity of 10.4% per annum over the past four years. This is in line with our stated objective of delivering low double digit, balanced total returns and has been achieved against a difficult economic backdrop.

Adjusted earnings (pre UCC performance fee) now account for 37% of returns, compared to 6% in 2010, and we are on track to achieve our strategic target of a 4.5% EPRA EPS yield on opening NAV for 2015. Dividends for the full year are 4.8 pence per share, a 20% increase on 2012, and are 2.7 times covered by operating cash flow.

Total return on equity

Components of total return	**2013**	2012	2011	2010
Adjusted EPS yield on NAV	**3.9%**	3.1%	0.9%	0.7%
Capital growth	**4.4%**	5.4%	4.9%	6.6%
Development profits	**4.1%**	4.6%	7.0%	6.5%
Other*	**(1.9)%**	(1.8)%	(4.7)%	(2.2)%
Total return**	**10.5%**	11.3%	8.1%	11.6%

* Other factors comprise swap close outs, UCC performance fee and impact of convertible bond and share placing in the current year. In prior years this has also included UMS performance and closure costs.

** NAV growth plus interim and declared final dividend.

Capital structure

The substantial progress we made in 2013 with our financing activity was particularly encouraging. Across the course of the year our team secured £1.1 billion of new debt facilities either on behalf of co-investment vehicles or on the UNITE balance sheet, with a further £124 million arranged since the year end that has brought our principal refinancing activity to a conclusion. This has enabled us to take advantage of historically low interest rates for the longer term while also improving the diversity and flexibility of our funding.

Taking into account the post year end activity, our average cost of debt is now 4.7% (2012: 5.5%), materially accretive to ungeared investment yields at an average 6.5% and development yields at 9-10%. The weighted average period to expiry has been extended to 7.1 years (2012: 4.1 years), providing certainty of financing costs for the longer term. Our loan-to-value ratio fell to 49% from 52% at December 2012 and we intend to continue reducing this over time towards 40% as future capital growth and development profits increase the Group's equity base.

Simplification of our co-investment vehicles remains a priority for 2014. In December we crystallised our UCC performance fee which will be re-invested into additional units and increase our stake in UCC from 30% to 34%. We are progressing the planned sale of our OCB joint venture, the proceeds of which will be invested in increasing our stake in UCC further, and once our stake in UCC reaches 50% it will be merged with LSAV, thereby reducing the number of co-investment vehicles from four to two. We have entered into an exclusivity agreement with a credible prospective purchaser of the OCB assets at a level supportive of current valuations. Due to its relative complexity, the planned sale has taken longer than originally expected but we are confident that a sale will be concluded later in 2014.

Portfolio activity

In June we raised £51.2 million of new equity by way of a share placing to part-fund a highly targeted £125 million regional development programme. We have subsequently made very good progress in committing this new capital with approximately 70% already committed to three new projects, subject to planning and expected to be delivered in 2016. The remainder is allocated to a fourth project where we are in exclusive negotiations. The prospective returns from this activity are attractive, with yields on cost in the region of 9.5% to 10%.

This regional development programme supplements our ongoing London development activity being undertaken by LSAV, our 50/50 joint venture with GIC. LSAV also made good progress in the year with additional sites and planning consents secured. Its target £330 million development programme is now 60% committed with all funding in place and returns expected to be in the region of 9% yield on cost.

The combined effect of our London and regional development programme on future growth prospects is significant. If our return expectations are achieved, the secured development pipeline will add 39 pence (10%) to adjusted NAV per share and 13 pence per share (96%) to recurring EPRA EPS once completed. Projects where the Group is in exclusive negotiations could add a further 6 pence and 1 pence to NAV per share and EPS respectively.

Development costs in London are increasing (both for land and build) whereas in strong regional locations they remain low and are currently showing little sign of inflation. As a result of this and the encouraging demand outlook we currently favour new development in strong regional locations over London. We expect these favourable conditions to persist in the regions for the next 12 to 18 months.

Investor interest in the student accommodation sector is broadening and deepening and 2013 was another year of healthy transaction volumes. We expect to see continued activity throughout 2014 and this is likely to translate into stronger yields as the year progresses. However the relative lack of liquidity in the sector when compared to other sub sectors of the property market mean that yield movements in general are likely to lag the wider market to some extent.

Brand and operating platform

Over the past few years we have increased the levels of recurring profit and cash flow from our operating business materially, evidenced most clearly by the increase in NPC from £4.1 million in 2010 to £25.6 million in 2013. Over this period the operational portfolio has only increased in size by 3%; the improvement in profitability has been delivered through a combination of rental growth, portfolio recycling and cost efficiences. However, most importantly our improvements have been supported by consistent enhancements to service levels.

Our cost base has been tightly controlled but has significant capacity. Since 2010, our NOI margin has improved from 69.8% to 71.4% and net overheads (after deducting fees received from co-investment vehicles) have fallen by 25%, from £11.2 million to £8.4 million. These efficiency gains have been achieved without impairing operational capacity and we continue to believe that our operating platform is capable of managing approximately 60,000 beds at minimal additional cost.

Service satisfaction levels again increased to highest ever levels in 2013, reflecting students' appreciation of the improvements we have made. Targeted investments in technology and processes, such as mobile working, have allowed us to free up front-line staff to spend more time on high customer impact duties, such as longer opening hours and more rapid maintenance response, while also reducing overall operating costs. We have also invested consistently in our estate, including the installation of high speed Wi-Fi throughout our buildings and our ongoing lifecycle investment programmes, again improving customers' experiences.

For 2014 we have a clear plan of further upgrades to our service proposition, all of which is deliverable within the framework of our financial plans. These improvements are built on our brand promise to provide a 'Home for Success' and we are confident that they will further differentiate us positively from our competitors.

Outlook

The substantial progress we have made in the areas of capital structure, portfolio quality and operating platform combine to support our growth prospects for the next few years. We have a strong capital base, attractive secured development pipeline, scalable operating business and market leading brand.

At the same time, the market outlook for the student accommodation sector is the most positive that it has been for a number of years. UCAS applications data shows an increase in University applications of 4% year on year and applications from non-EU students and UK school leavers, both core markets for UNITE, are at record highs. Government policy is supportive of rising student enrolment, Universities are increasingly looking to the private sector for solutions, investor interest is increasing and development costs remain comparatively low.

The performance of the business in the early part of 2014 supports this outlook. In particular, reservations for 2014/15 stand at 64% (2013: 62%) and we are experiencing increased demand from all customer segments (re-bookers, new customers and University referrals) through both on-line and off-line channels. Pricing is supportive of our 3% rental growth guidance for the full year, our cost reduction activity has been largely concluded and we have three new properties on schedule to be opened for the 2014/15 academic year. The combination of these factors gives us confidence that in 2014 we will continue to deliver strong performance and growth.

Mark Allan
Chief Executive Officer
6 March 2014

Creating long-term value

Creating long-term value

Our focused business model seeks to deliver low double digit returns and sustainable, growing cash flows by being the most trusted brand in the sector, having the highest quality portfolio and maintaining a strong capital structure. Maintaining strong relationships with University partners, customers and employees is also crucial to our success.

Operations

Our Operations business unit is responsible for running our 130 properties, including those managed and operated on behalf of our co-investment vehicles. Operations adds value by:

- Delivering operating cash flow, net portfolio contribution and profit through rental income and delivery of our service platform
- Differentiating UNITE from its competitors by ensuring our service meets and exceeds the needs of students and Universities and provides a safe and secure environment for students and employees alike
- 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.

We measure progress in this business unit through earnings per share, operating cash flow, customer satisfaction, Higher Education trust and safety benchmarks each year.

Property

Our Property business unit is responsible for our development and asset management strategy as well as overseeing the fund management processes for each of our four co-investment vehicles. The Property business 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 opportunities, generating capital for re-investment into the portfolio, new development activity.

The key metric for the Property business is net asset value (NAV) per share.

Further reading

Risk management framework
Find out more on page 26.

Operations review
Find out more on page 30.

Property review
Find out more on page 32.

Financial review
Find out more on page 38.

Capital structure

A strong, stable and flexible capital structure is essential to support our growth aspirations and to ensure we can deliver our strategy. We achieve this by:

- Proactively managing the Group's borrowings, ensuring they are structured appropriately to support the strategic objectives of the business
- Securing equity and new debt facilities to fund development activity
- Diversifying UNITE's sources of capital to reduce risk
- Simplifying the capital structure of the business.

We measure the strength of our capital structure through loan-to-value (LTV), weighted average loan maturity and cash.

Relationships

Our business model is reliant on us having strong relationships with Universities, our suppliers and partners, and behaving with integrity in our relationships. We achieve this by:

- Having a customer-focused approach
- Working closely with our Higher Education partners to provide a seamless service to their students and tailoring our service to meet their needs
- Working strategically with University leaders to partner with them in the realisation of their estates and residences strategies
- Developing our employees and building a high-performance culture that supports them in achieving their personal and professional potential.

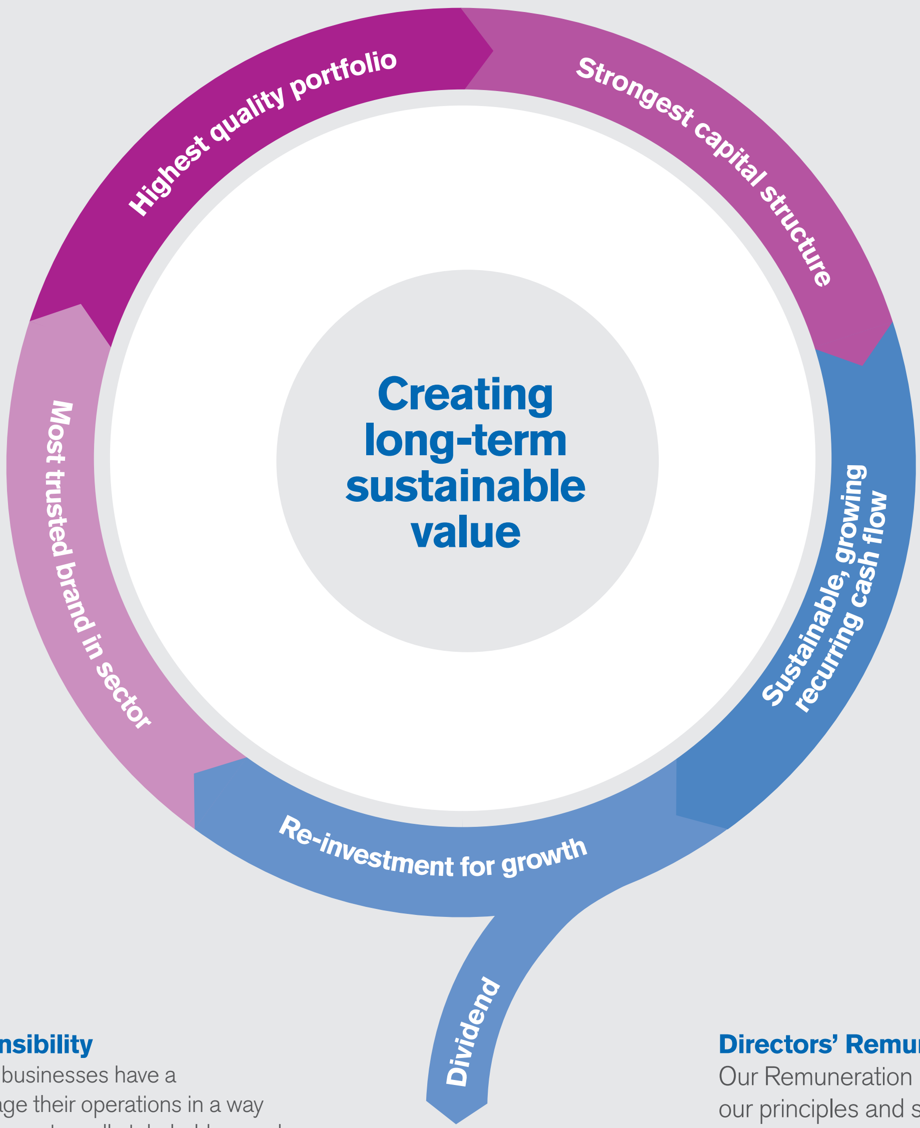
The right strategy for growth

Key performance indicators (KPIs)
The three priorities of our strategy are reflected in our KPIs, earnings per share, net portfolio contribution, net asset value per share and loan-to-value. We also have two operational KPIs which relate to our strategy, customer satisfaction and HE Trust.

Find out more on page 24.

Keys risks to manage
Among the risks for our business, our Risk Committee has identified five priority areas which relate to our ability to deliver our strategy. These risks are constantly monitored by UNITE's relevant business unit and the Board undertakes a formal risk review at least twice a year.

Find out more on page 27.



Corporate responsibility
We recognise that all businesses have a responsibility to manage their operations in a way which has a positive impact on all stakeholders and communities. We take this responsibility very seriously and believe that forming stronger relationships with local communities, charities, businesses, Universities, our staff and the students who live with us, creates additional value for wider society.

Find out more on page 41.

Directors' Remuneration Report
Our Remuneration Policy is aligned with our principles and strategy. We operate a simple annual bonus plan and long-term incentive plan with remuneration aligned to the creation of shareholder value and the delivery of the Group's strategic plan.

Find out more on page 67.

Strategic priorities

During 2013, we continued to deliver the clear, consistent strategy, that has underpinned UNITE's strong performance in recent years. It has three priorities:

- To grow recurring profits and cash flow through a combination of rental growth, new openings and cost savings, through our market leading services platform, while building the most trusted brand in the sector
- To enhance our portfolio quality through a programme of highly selective developments, focusing on London and strong regional locations, together with the disposal of non-core assets, and
- 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 flow and increasing the value of our business each year. One-third of our recurring cash flow is distributed to shareholders as dividends, two-thirds is reinvested back into the business to promote sustainable growth.

This year, we made good progress on all fronts.

Market leading service platform:

In 2013 we focused on developing our people, technology and University relationships in an integrated and sustainable way. We have driven further efficiency and service improvements which are measured by our customer satisfaction levels and Higher Education 'trust' score (see page 24 for details of our KPIs) and we received record-breaking scores for both these KPIs in 2013. Progress includes:

- Continued investment in our people by providing clear career progression and accredited training programmes for all levels. We also introduced cultural training for city-based employees who work with Chinese students, our largest group of international students.
- Further improvements to our online booking platform, driving additional visits and bookings. Our latest mobile working device has improved efficiency and increased transparency for customers on areas such as room inspections, charging and maintenance requests.
- Our specialist University Partnerships Team, created at the beginning of 2013, has helped us build stronger and more strategic relationships with our Higher Education partners. We also increased our level of engagement at HE sector events, giving more speeches and presentations, which has helped generate interest in UNITE.

These investments will provide the foundation from which we will continue to build our brand in 2014. We will continue to invest in our digital platforms and place an increased focus on the link between accommodation and success at University.

Improving portfolio quality:

Throughout 2013 we made good progress on improving the quality of our portfolio through proactive asset management, disposing of further non-core assets, progress on our ongoing London development programme and the announcement of a new, targeted, regional development programme. Progress includes:

- Announced a targeted £125 million, wholly owned, regional development programme for which we secured funding (see below), and we have subsequently made good progress in fully allocating this capital to four projects.
- Made good progress with our London development programme though our 50/50 LSAV joint venture, securing three new sites in 2013.
- Completed the disposal of £75 million of non-core assets.
- Secured planning for 41 additional rooms in a development project in Bristol, due to open in 2015. We also gained consent for 69 new rooms in an existing property in Coventry which will be in operation for the 2014/15 academic year.
- Construction of our three new openings for the 2014/15 academic year progressed well with all projects on track and on budget.

With development costs in London increasing, we see further opportunity in strong regional locations over the next 12-18 months, particularly in light of encouraging demand outlook for student accommodation (see Market review on page 9).

Sustainable capital structure:

We made substantial progress with our financing activity during 2013. Across the year, we secured £1.1 billion of new debt facilities either on behalf of co-investment vehicles or the UNITE Group. This has enabled us to take advantage of historically low interest rates while also improving the diversity and flexibility of our funding. Progress includes:

- A successful £51 million share placing in June 2013, to fund a targeted regional development programme. This capital has now been deployed, (see page 35) for more information. The remainder of UNITE's development programme will be funded by the proceeds of a convertible bond issue in October which raised £88 million.
- Reduced our average cost of debt from 5.5% in 2012 to 4.7% and extended the weighted average loan maturity from 4 years to 7 years.
- Undertook a refinancing programme for USAF, increasing the Fund's weighted average debt maturity from 2 years at the start of 2013 to 9 years, while reducing its total cost of interest from 5.0% to 3.7%.
- Concluded plans to increase our stake in our UCC joint venture from 30% to 34%, taking us closer to the 50% stake we require in order to merge UCC with LSAV, our other joint venture with GIC.

During 2014, simplifying our co-investment vehicles remains a priority. To this end, we will continue to increase our stake in UCC towards 50% and to progress the planned sale of our OCB joint venture.

Market leading service platform

Market leading service platform

We continued to expand our digital presence, using technology to remove administrative burden and to make us an easier company to do business with.

We expanded our mobile working programme, adding the ability to perform check-outs and room inspections on the move to our existing maintenance app. The new apps helped improve efficiency, reduced the time staff spend on administrative tasks and enhanced the customer experience. During 2013, mobile working helped our customer-facing teams:

- complete 160,481 inspections
- repair or check 3.6 million items
- take 89,303 photographs during check-out.

160,481
completed inspections

3.6m
items repaired or checked

Upgrades to our National Contact Centre significantly increased the volume of calls they were able to accept and make. The team:

- took over 100,000 inbound calls
- made 70,000 outbound calls
- generated 21,000 email responses to customers
- scheduled 25,000 maintenance requests
- secured 48% of all our direct let sales.

We established the UNITE Customer Panel, creating an online panel of more than 500 students with whom we are able to test ideas and get feedback on proposed improvements.

To help improve internal communication and streamline our operations, we launched Team Talk, a suite of internal communications channels to help share information and best practice across the business. Team Talk includes Team Talk Home, our intranet system, providing employees with a bank of information and news to access as they need it, 'Chatterbox', our employee online forum, and Team Talk weekly, monthly and termly updates.

We completed the installation of high speed Wi-Fi throughout all our properties in the summer of 2013 and made further improvements to our online booking platform which drove more site visits and bookings, and increased the time visitors spent on our site by 20%.

Improving portfolio quality

Improving portfolio quality

We invested £7.5 million in our regional portfolio, upgrading ten properties in five cities. The work has added 52 new rooms, made significant improvements to three common rooms, and transformed the entrances and facades of two properties, contributing to £16.8 million in valuation uplift.

200
electric showers installed

26
football pitches – equivalent to area of ceilings painted

112,000
hours of work undertaken

1,400
sofas installed

We exchanged contracts on two prime London sites that we will develop as part of our LSAV joint venture, in Islington and Wembley Park. These sites will bring 1,597 beds to our London portfolio. The new rooms will be developed to UNITE's new room design, which provides a modern, high quality look and feel, at a very competitive price point.

We also secured three further development sites in Aberdeen, Edinburgh and Newcastle, a total of 1,555 beds. Work will begin on site next year, subject to planning, and the properties will open in 2016.

Topping out at Stratford

We celebrated the structural completion of our new London property in Stratford City, adjacent to the Queen Elizabeth Olympic Park and Westfield Stratford City shopping centre, with a topping out performed by Dennis Hone, Chief Executive of the London Legacy Development Corporation. The 1,001 bedroom development boasts panoramic views across London and is the first property to be built entirely to UNITE's new specification room design.

Sustainable capital structure

Sustainable capital structure

We made substantial progress strengthening our capital structure during 2013, raising £51 million of equity through a share placing in June to fund regional developments and securing £1.1 billion of new debt facilities on behalf of UNITE and our co-investment vehicles.

This funding activity means that we have sufficient capital in place to fund our growth plans over the coming years. The refinancing activity has transformed the profile of our borrowings:

- Extending our weighted average loan maturity from 4 to 7 years
- Reducing our cost of debt to 4.7% (2012: 5%)
- Lowering our LTV ratio from 52% to 49%
- Diversifying our sources of funds with 75% of debt now provided from non-bank sources
- Improving flexibility with 27% of debt being unsecured.

We have continued to work closely with our funding partners to deliver a number of innovative and noteworthy funding projects, and the Treasury Team were recognised for their achievements, being awarded the Association of Corporate Treasurer's award for the Treasury Team of the Year.

Highlights

- UNITE Group plc issued £90 million of unsecured convertible bonds at a coupon of 2.5%
- UNITE Group plc secured a £124 million ten-year facility from Mass Mutual for a portfolio of core assets at a cost of 4.5%
- USAF issued £465 million of secured bonds with a 10-12-year maturity profile, lowering USAF's average cost of debt to 3.7%
- UCC refinanced its entire debt, with a nine-year £149 million facility provided by Legal and General and £77 million from RBS
- LSAV secured a £135 million development facility from HSBC.

£1.1bn
new debt facilities

4.7%
reduced borrowing costs (2012: 5%)

UNITE's Capital Operating Guidelines (COGs) are a set of metrics designed to provide the business with guidelines for:

- Capital commitment
- Capital structure
- Capital allocation.

Significant progress was made with our COGs in 2013, due to the substantial volume of successful refinancing activity completed in the year, all of which had a positive impact on the Group's cost of debt, debt maturity and diversity of lenders.

Key performance indicators

Measuring our progress

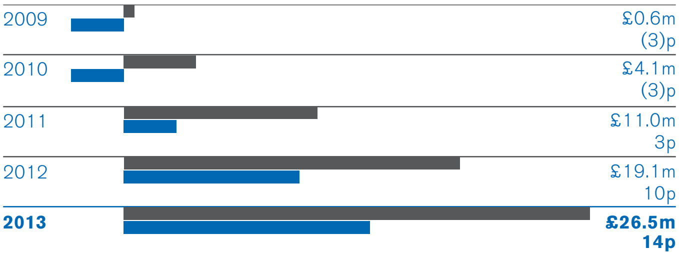
Delivering shareholder value

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

Earnings

NPC: £26.5m and Adjusted EPS: 14pps



Measure

NPC measures the income from rental properties after financing costs and our total non-development related overheads. It is a proxy for cash generation in the business. Adjusted EPS 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.

Target

Increase EPS yield, measured as EPS divided by opening NAV, to 4.5% by 2015 (3.9% in 2013).

NAV

382p

Measure

Our adjusted 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

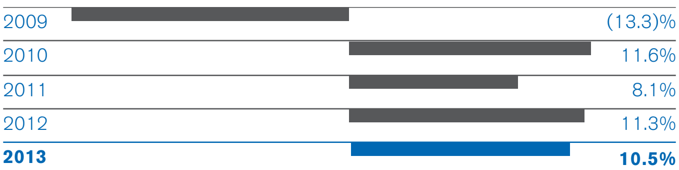
Consistent NAV growth has been delivered through rental growth, development profits and retained earnings.

Target

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

Total return

10.5%



Measure

Measures the total return to shareholders calculated by the growth in adjusted NAV plus dividends.

Comments

Total return has averaged over 10% over the last four years, driven by growth in recurring earnings, NAV and dividends.

Target

Continue to deliver low double digit total returns.

LTV

49%

Measure

Measures our ratio of debt to property values.

Comments

Continued to deliver reduction in LTV through ongoing focus on disposals and growing the value of the property portfolio.

Target

To continue reducing LTV towards 40% over time.

Operational

Safety
5

2009	2
2010	3
2011	1
2012	6
2013	**5**

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

Comments
In 2012 we introduced a new software reporting system, AIMS (Accident and Incident Management System). This has provided greater visibility on incident reporting and resulted in the subsequent increase shown. This is reflective of safety being a high priority with a number of working procedures being revised or introduced into the business.

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

Customer satisfaction
72

2009	24
2010	35
2011	52
2012	67
2013	**72**

Measure
We undertake an independent survey twice a year using key indices to understand our relationship with our customers, the experience we provide and their likelihood to re-book and recommend UNITE. Companies receive a score ranging from -66 to 134 and our score is benchmarked against other high performing service companies.

Comments
The improvements in the last few years reflect our drive to put our customers at the heart of everything we do. This has most recently been enhanced by setting up a Customer Panel of more than 500 UNITE students, with whom we discuss ideas and opportunities to improve the overall experience. Our current score places us within the top 33% of service industries covered by the same methodolgy.

Target
We aim to reach the top 10% of benchmarked companies within the next four years, which requires a further steady increase year on year.

Employee satisfaction
72

2009	62
2010	66
2011	67
2012	67
2013	**72**

Measure
Employee Tri*M is an independent benchmark that measures how satisfied and motivated towards achieving our strategy our employees are. It enables us to identify areas for improvement and ensures we are able to deliver high quality service while minimising staff turnover and recruitment costs. Scores range from -30 to 134.

Comments
Year on year we have seen an improvement in employee satisfaction, cementing UNITE's position in the top 10% of European service companies. UNITE has continued to improve across all metrics, delivering an increase of five points in 2013 due to a significant rise in employees' perception of UNITE's market strength and motivation.

Target
We will continue to focus on development programmes, line management and empowering teams in order to maintain employee satisfaction as a core strength. We aim to maintain our position in the top 10% of European customer service organisations.

Higher Education trust
70

2009	–
2010	–
2011	62
2012	67
2013	**70**

Measure
Since 2011, we have undertaken annual qualitative research with our HE 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 HE partners need from us, both for them as institutions and for their students, is a vital part of improving our level of service and achieving a strong branded service platform. In 2013 our HE partners recognised the work we did at a national and a local level to engage with them, and the improvements we made to our service for students.

Target
We aim to become the accommodation partner of choice for the HE sector.

Embedding a risk management culture

Our Group strategy targets low double digit returns with low risk. The Board, when setting the Group's strategy and overseeing its implementation, also determines the nature and extent of the significant risks in this strategy and ensures that sound risk management and internal control systems are in place commensurate with the risk.

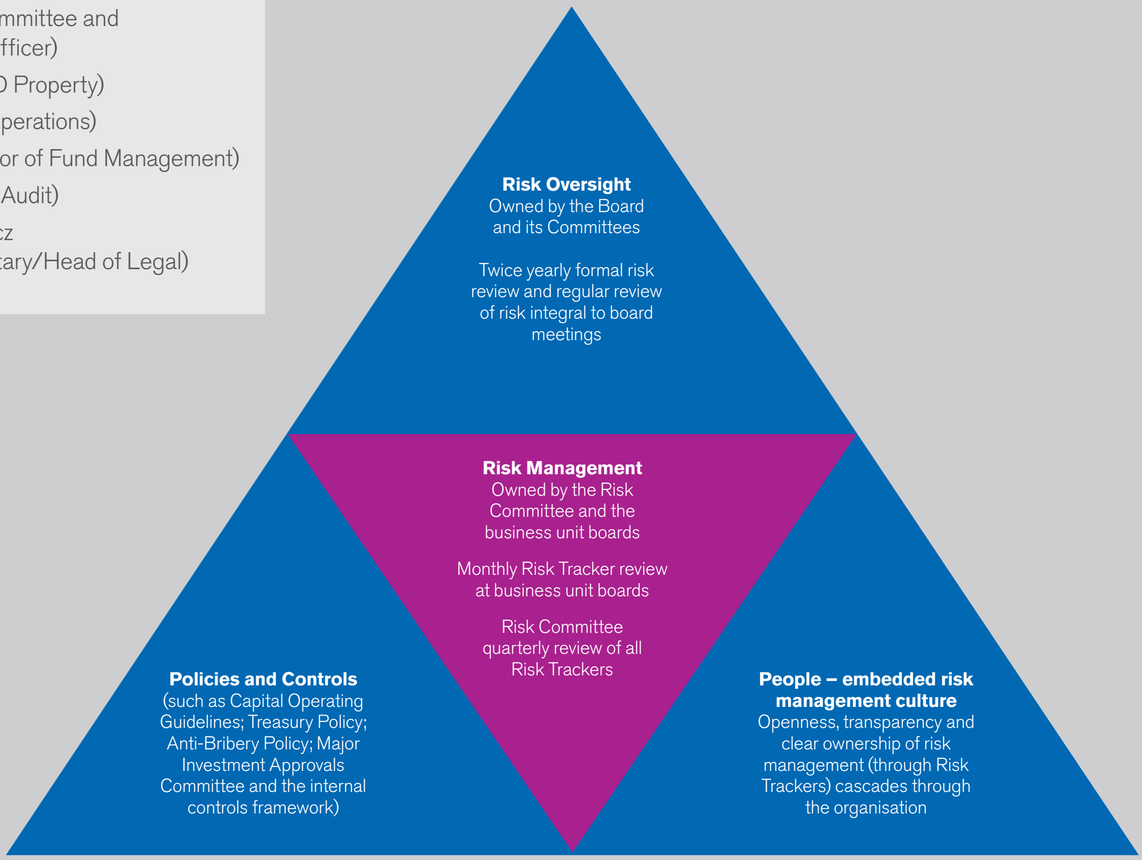
The Board undertakes a formal risk review at least twice a year at Group Board meetings. This involves a thorough risk review of UNITE's material risks (presented by the Risk Committee's Chair, Joe Lister) and also serves as an opportunity to step back and consider any emerging risks. The culture of the organisation, set by the Group Board, is to ensure 'Risk Trackers' are maintained which clearly scope out the risks and their impact, and assign an accountable person to own and manage each risk. This risk tracking approach is embedded within UNITE and leads to a real, tactile and substantive approach to risk management.

The Group's Risk Committee, which meets quarterly, serves as a bridge between the business unit boards and the Group Board, and allows a focused forum for risk review. It thoroughly reviews, and scrutinises, the business unit boards' risk management plans and also helps ensure these business risks are being considered holistically, providing a conduit for the free flow of information on risk across UNITE's business units. The Risk Committee also monitors Group policies and the most important controls as well as prioritising other risk management activities.

Risk management framework

Risk Committee

- J J Lister (Chair of Risk Committee and Chief Financial Officer)
- R C Simpson (MD Property)
- R S Smith (MD Operations)
- M Creedy (Director of Fund Management)
- S Taylor (Internal Audit)
- C R Szpojnarowicz (Company Secretary/Head of Legal)



Principal risks and uncertainties

Risk and Impact	How we manage the risk	Change from last year	What happened in the year
Market risks			
Changes in Government policy (such as on HE 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, student numbers whilst in parallel regularly reviewing our portfolio to ensure we are appropriately sized in the right locations.	↓	Student numbers in the UK recovered strongly after disruption in Government policy changes affected the 2012/13 University year. Occupancy of 98% for 2013/14 academic year, compared to 96% in 2012/13, demonstrates this recovery in student numbers is translating into occupancy. Underlying demand for HE study in the UK remains extremely strong (the UK continues to be the 2nd most popular). To read more go to page 9.
Significant volume of new entrants, particularly in London, may lead to over-supply in certain markets. May result in price cutting by competitors in certain markets to fill voids.	UNITE focus and strategy: ▪ Supply/demand imbalance ▪ Exposure to best Universities ▪ Seeking out opportunities, not only in London but also across the UK, for development in select cities where the supply/demand metrics and land & build costs bring value to our portfolio ▪ More affluent customer base including overseas students ▪ Strong sales and marketing expertise ▪ Development of affordable product ▪ Flexible approach to tenancies.	→	The Government's announcement in the 2013 Autumn Statement that the cap on student numbers will be abolished supports growth in student numbers. Student intake for 2013/14 at least 30,000 higher than 2012/13, representing a 6% increase. To read more go to page 9.
Macro issues such as an EU referendum (leading to the UK leaving the EU) or Scottish independence. Departure from EU may impact our non-UK EU student business. Scotland independence may add complexity to our business.	Ongoing monitoring of these macro issues to ensure we are prepared for any macro changes.	→	The UK's position on an independent Scotland retaining the Pound Sterling and whether an independent Scotland would need to re-apply for EU membership have become clearer during the year. We will continue to monitor these developments and proactively ascertain what this means for our business so we are ready to manage any change 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.	↓	The UK is experiencing a more positive economic outlook and there is general improvement in strength of the UK's commercial and residential property markets. Maximising portfolio value through programme of refurbishments and extensions. Customer satisfaction at highest ever levels supporting rental growth.

Our principal risks are highlighted in white

Principal risks and uncertainties

Risk and Impact	How we manage the risk	Change from last year	What happened in the year
Operations 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 is given direct Board supervision by the H&S Committee (a sub-committee of the Board) which actively supervises H&S ensuring robust policies and procedures are in place and consistently complied with. H&S is also actively reviewed at the Operations and Property business unit boards, ensuring that H&S is top of mind in our day to day operations and regularly assessed and validated.	→	H&S continues to be a primary focus and robust processes are embedded throughout the organisation following the appointment of a new Head of Safety Support Services during the year and regular attention by the H&S Committee. A new incident management reporting system was introduced during the year and fire safety reviews have been a key focus for 2013 with fire identified as a key H&S risk. To read more go to page 48.
Property development risks			
Failure to secure sites, construction contracts and/or development debt at attractive prices. Unable to generate returns in line with plans.	Focus on off-market transactions whilst building a track record of successfully completing schemes thereby making us the partner of choice for many vendors, since we deliver what we promise. Strong relationships with financially robust lenders and Higher Education institutions.	→	Development pipeline of 6,342 beds secured; good progress and consistent performance on planning and funding. To read more go to page 36.
Failure or delays in obtaining planning consents. Cost of aborted schemes. Delayed schemes impacting financial returns.	Established planning expertise and careful site selection. Financial investment in schemes carefully managed prior to grant of planning. Pursuing new opportunities on a conditional basis to ensure we retain adequate flexibility.	→	Skilled Development team with strong track record. Strong relationships with planning authorities, particularly in London. Focus on pre-application discussions with authorities. To read more go to page 32.
Delays in completion of construction in time for the start of academic year or cost over-runs. Reduced financial returns and cash tied up. Impact on reputation with customers.	Strong track record and focus on project delivery and strong relationships with construction partners with appropriate risk sharing.	→	All schemes continuing to run to schedule. 2014 development pipeline on track and targeted 2015 completions commenced on site on time.
Fund management risks			
Ability to deliver strategy of both the Funds/JVs and the Group. Loss of investor confidence and/or potential deadlock	Dedicated Fund Directors responsible for managing the performance of each Fund/JV. Any potential conflicts are managed through Group Risk Committee. Quarterly meetings with investors.	→	Strong performance by USAF and co-investment vehicles. Open, straightforward communications with USAF Advisory Committee and JV partners.

Risk and Impact	How we manage the risk	Change from last year	What happened in the year
Joint ventures mature without agreement for a satisfactory exit. Forced sales of properties potentially impacting price. Loss of management fees. Loss of market position in affected cities	Work closely with joint venture partners to agree mutually beneficial extension/ exit strategies.		Working closely with GIC to consolidate UCC and LSAV joint ventures into one joint venture. Sale of OCB joint venture planned to take place in 2014. To read more go to page 40.
Financing risks			
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 6-12 months before maturity and in parallel diversifying our sources of finance to repay more expensive and less flexible borrowings. Control of future cash commitments in line with progress of disposals and refinancing.		Financing activities during 2013 have strengthened our balance sheet, diversified sources of funding (unsecured debt increased to 27% and 75% debt provided by non-bank sources), extended maturity (see-through weighted average loan maturity is 7 years) and lowered cost of debt to 4.7% from 5.5% (31 December 2012). To read more go to page 39.
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.		90% of debt now at fixed rate / swapped. Average cost of debt reduced during 2013 from 5.5% (December 2012) to 4.7%. To read more go to page 39.
Breach of borrowing covenants. Debt becomes immediately repayable.	Regular monitoring of covenant position. Proactive management of any potential issues and ability to use cash to manage covenants.		Significant level of headroom in both LTV and ICR covenants. See-through LTV reduced to 49% (December 2012: 52%). To read more go to page 39.

Building on our achievements

"Our activity over the next 24 months will further differentiate UNITE and ensure we provide a home for success…"

2013 has been a year of achievement for UNITE, which we look to build on in the coming year. Our recurring profit has been transformed from a loss of £5.4 million five years ago to a sustainable £25.6 million which is largely cash backed, our customer service is improving and is consistently strong across the business, we are working more closely and effectively with our Higher Education partners, and reservations for the next academic year are ahead of this time last year. Most importantly, we've achieved all this alongside our highest ever customer and employee satisfaction scores.

The majority of UNITE's 1,000 employees sit within our Operations business unit and they are key to our success. We delivered substantial efficiencies and operational improvements during 2013, the scale of change which can cause staff to become dejected. However, the outstanding people within UNITE have embraced the changes. In 2013, we provided a clear career path through accredited training courses, introduced timesaving technology and taught staff the real skills required to deliver outstanding customer service.

Our processes and technology were also a focus during 2013. Perhaps our most significant step change was the installation of high speed Wi-Fi throughout all our properties, an important milestone and considered to be a hygiene factor by our customers. We reviewed all our key processes through the lens of customer service to ensure they are effective and efficient and used technology to remove administrative burden, making us an easier company to do business with.

Looking ahead, we will continue the work we started in 2013 with further investment in our digital offering, our service platform and our brand. We do this in the context of positive investor sentiment towards the student accommodation sector and favourable Government policy following two years of funding cuts, fee increases and uncertainty. Our activity over the next 24 months will further differentiate UNITE and ensure we provide a home for success – a place that students seek out because we help them achieve more in their University life.

Richard Smith
MD Operations

Sales, rental growth and profitability

Our strong performance continued throughout 2013, resulting in a £6.5million, 34% increase in NPC to £25.6 million compared to last year (2012: £19.1 million). This growth has been driven by high occupancy, rental growth and the impact of portfolio movements as well as operational efficiencies and ongoing cost discipline. Adjusted profit (pre UCC performance fee) increased by £7.2 million to £23.1 million or 13.6 pence per share compared to 2012 (December 2012: £15.9 million, 9.9 pence per share).

Summary profit and loss account

	2013 £m	2012 £m
Total income from managed portfolio	**240.7**	240.2
UNITE share of rental income	**113.4**	111.4
UNITE share of operating costs	**(32.4)**	(32.3)
Net operating income (NOI)	**81.0**	79.1
NOI margin	**71.4%**	71.0%
Management fee income	**10.6**	10.3
Operating expenses	**(19.0)**	(21.8)
Finance costs	**(47.0)**	(48.5)
Net portfolio contribution	**25.6**	19.1
UCC performance fee	**7.5**	–
Development pre-contract/ share option and other costs	**(2.5)**	(3.2)
EPRA earnings	**30.6**	15.9
Adjusted profit (pre UCC performance fee)	**23.1**	15.9
EPRA EPS	**18.0p**	9.9p
Adjusted EPS (pre UCC performance fee)	**13.6p**	9.4p
Adjusted EPS yield (adjusted EPS/opening NAV)	**3.9%**	3.1%

Total income from the managed portfolio increased to £240.7 million (2012: £240.2 million) driven by rental growth and increased occupancy, offset by the reduction in the number of managed beds as a result of non-core disposals.

The Group's NOI margin increased to 71.4% from 71.0% in December 2012 as we delivered further efficiencies and productivity improvements, while improving our service and the quality of our estate through targeted investment. Overheads reduced by 13% to £19 million as a result of the full year impact of efficiency savings flowing through and our key overhead efficiency measure (total operating expenses less management fees as a proportion of UNITE's share of investment asset value) has also benefited from these efficiencies, having now fallen to 61 bps (December 2012: 92 bps), in line with our target of 60 bps. This will deteriorate marginally when we exit our OCB joint venture and increase our stake in UCC but we intend to maintain 60 bps as our ongoing target.

Finance costs (comprising interest and lease payments) fell to £47 million (2012: £48.5 million), reflecting the fall in the Group's average cost of debt as various refinancing events were completed while development pre-contract and other costs fell £0.7 million to £2.5 million. EPRA earnings includes a one-off receipt of £7.5 million performance fee from UCC following the completion of refinancing within the joint venture.

Occupancy and rental growth

Occupancy across UNITE's portfolio for the 2013/14 academic year stands at 98% and like-for-like rental growth of 3% was achieved on our stabilised portfolio. The number of students enrolling at UK Universities increased by 37,000 on 2012/13 levels, recovering much of the previous year's drop and contributing to the overall strong occupancy and rent performance.

Reservations for the 2014/15 academic year are encouraging, standing at 64% (62% at the same point last year), and recent Government announcements together with the continued attraction of the UK as a destination for international students, suggest a further increase in the number of new students next year of around 20,000. This provides us with further confidence in occupancy and rental levels for the 2014/15 academic year, which we again expect to show rental growth of around 3%.

Investment in people, technology and relationships

Over the past few years we have invested carefully in building and retaining the expertise of our staff; utilising technology as a way to both enhance service levels and reduce operating costs; and in increasing and maintaining our profile in the University sector, building on the strong, long standing relationships we have in a number of cities. Building on our long track record in the sector, these investments have formed strong foundations from which we will continue to build our brand.

People

The knowledge, commitment and competence of our staff base continues to be at the heart of our performance, and during 2013 we made further investments in learning and development to provide clear career progression opportunities for all roles and grades. The empowerment of our teams has progressed further, with city managers encouraged to make the right decisions for students to improve the experience of living with UNITE, and this has been reflected in our highest ever customer satisfaction scores, in both our Spring and Autumn independent surveys.

Technology

We have made further improvements to our online booking platform throughout the year, driving additional visits and bookings. Similarly, the latest iteration of our mobile working device for service teams has reduced more time-consuming activity, and provided clarity and transparency to customers regarding inspections, maintenance requests, and room charges.

University relationships

The creation of our specialist University Partnerships Team at the start of 2013 is proving successful, with stronger relationships now in place with our most significant University partners and new relationships being established. This has opened doors for more strategic discussions about future ways of working.

Our presence in the Higher Education sector has become yet more substantial, and we have presented or spoken at a wide range of events and conferences, and launched high-profile research publications undertaken in-house, which have stimulated healthy levels of interest and engagement from Universities and sector groups. We will build on this further in 2014.

Student numbers

Around 37,000 more students started degrees in the 2013/14 academic year than the year before, substantially reversing the drop seen in 2012/13. This was partly due to the Government's relaxation of the student number caps applied to University enrolment but also the positive impact of deferrals returning to normalised levels. Acceptances were up year on year across all student groups, with UK and non-EU students showing the healthiest increases, further underlining the structural robustness of the student sector.

Operations outlook

Our Operations business continued its strong performance against all key measures throughout 2013. High occupancy, consistent rental growth and portfolio recycling, combined with the successful embedding of cost efficiencies, continued to drive sustainable profit growth, alongside further improvements to service levels and the experience we provide for our students.

We are continuing to invest in our operating platform and expanding our digital presence, recently launching new smartphone apps and online community features to further increase the strength of our brand and competitive advantage. Having completed the installation of Wi-Fi throughout all our properties in the summer of 2013, we are looking to increase broadband speed significantly for the new academic year, and have also appointed a partner to install LED lighting across our portfolio over the next two years. This will reduce our operating costs and carbon footprint while further improving our students' experience.

As the student accommodation market continues to mature, the combination of our continued investment in brand and service driving rental growth, coupled with a growing portfolio as new properties are completed, will underpin further profit growth for 2014 and we continue to target a 4.5% EPS yield for 2015.

Building on our achievements

"This proven track record in challenging conditions positions us well for the future..."

Our Property business unit comprises Asset Management and Property Development, who support our operational colleagues in maximising our existing portfolio as well as seeking out new opportunities for growth. I also look after our Fund Management team who manage our four co-investment vehicles. Our Property business has had the same core team for the last ten years; we are a lean operation of 22 people. This same ten-year period has seen a great deal of volatility in the property sector, but the team's wealth of expertise and the strong fundamentals of the student accommodation sector have enabled UNITE to take full advantage of market conditions.

While tentative signs of general economic recovery were slowly felt during 2013, the Higher Education sector demonstrated good fundamentals with a bounce back in student numbers for the 2013/14 academic year which brought overall student levels back in line with those seen in 2011. Against this positive backdrop, demand for exposure into purpose built student accommodation increased too. Our development activity continued to build strong momentum both in London and also across the UK. We secured several new projects in London, through our JV with GIC, which are high quality locations and will be significantly accretive to returns. Overall, these projects will account for around 60% of the capital we've identified for deployment into development activities. Timing for these and prior years' acquisitions was strong. Subsequently, London is displaying development cost inflation and an increase to barriers to entry. In response to this, our strategy evolved to include wider UK development projects and we've made good progress in building a high quality pipeline of future projects, accounting for the full proceeds raised over the summer for this purpose.

Our Asset Management saw UNITE's remaining non-core assets sold or contracts exchanged. Our portfolio is now 100% student accommodation. Four refurbishment or extension projects were undertaken in the year, which alongside other initiatives delivered an NAV upside of around £7 million.

This proven track record in challenging conditions positions us well for the future as we continue to feel the impact of economic recovery. With the market outlook strengthening in terms of student numbers, investor interest in the student accommodation sector and regional development costs still low, I'm confident the energy and expertise of my team will continue to give UNITE clear competitive edge.

Richard Simpson
MD Property

NAV growth

Adjusted NAV per share increased by 9.1% to 382 pence (on a fully diluted basis) at 31 December 2013, up from 350 pence at 31 December 2012. In total, adjusted net assets were £682 million at 31 December 2013, up from £567 million a year earlier.

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

- The growth in the value of the Group's share of investment assets (+16 pence), as a result of rental growth, some yield compression and asset specific write downs associated with the disposal of legacy NHS assets
- The value added to the development portfolio (+14 pence)
- The impact of financing activity (-6 pence), related primarily to swap breakage costs, partially offset by the positive impact of our convertible bond issuance
- The positive impact of retained profits after dividends (+14 pence)
- The impact of the £50 million equity issue in June (-6 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. We have three projects, comprising 1,555 beds and accounting for approximately 70% of the proceeds of our June share placing, secured under contract in strong regional locations and are in exclusive negotiations on a fourth. In addition, 60% of our target LSAV pipeline has also been secured across three London projects comprising 2,356 beds.

In total, our secured pipeline is expected to deliver 39 pence per share of NAV uplift once completed if expected returns are achieved (UNITE share). Projects where the Group is in exclusive negotiations could add a further 6 pence. The development pipeline will have an even more significant positive impact on EPS once delivered with the secured projects adding 13 pence and those where the Group is in exclusive negotiations a further 1 pence.

Property portfolio

The valuation of our property portfolio at 31 December 2013, including our share of gross assets held in USAF and joint ventures, was £1,370 million (31 December 2012: £1,245 million). The £125 million increase in portfolio value was attributable to £76 million of capital expenditure less disposals of £14 million and £63 million of valuation increases. The valuation of the stabilised investment portfolio increased by 3% on a like-for-like basis over the year, primarily as a result of rental growth.

Summary balance sheet

	2013 £m			2012 £m		
	Wholly owned	**Fund/JV**	**Total**	Wholly owned	Fund/JV	Total
Rental properties	**767**	**408**	**1,175**	763	399	1,162
Properties under development	**180**	**15**	**195**	83	–	83
	947	**423**	**1,370**	846	399	1,245
Adjusted net debt	**(470)**	**(196)**	**(666)**	(453)	(195)	(648)
Other assets/(liabilities)	**(24)**	**2**	**(22)**	(23)	(7)	(30)
Adjusted net assets	**453**	**229**	**682**	370	197	567

The proportion of our property portfolio that is income generating decreased to 86% from 93% at December 2012, with 14% now under development. This reflects the progress with our 2014 and 2015 development programme as well as the commitment of capital to 2016 deliveries. The development weighting will continue to increase over the next year as our activity in this area accelerates and our remaining non-core investment assets are sold. We expect the development weighting to peak at approximately 20% in 2015.

UNITE investment portfolio analysis at 31 December 2013

		USAF	**UCC**	**LSAV**	**OCB**	**Wholly owned**	**Lease**	**Total**	**UNITE share**
London	Value (£m)	190	353	51	173	274	0	**1,041**	**479**
	Beds	1,425	2,268	528	1,128	1,910	324	**7,583**	**41%**
Major provincial	Value (£m)	945	36	0	0	333	0	**1,314**	**499**
	Beds	16,551	333	–	–	5,773	2,147	**24,804**	**42%**
Provincial	Value (£m)	220	0	0	0	161	0	**381**	**197**
	Beds	3,732	–	–	–	3,168	1,785	**8,685**	**17%**
Total	Value (£m)	1,355	389	51	173	768	–	**2,736**	**1,175**
	Beds	21,708	2,601	528	1,128	10,851	4,256	**41,072**	**100%**
UNITE ownership share		16.4%	30%	50%	25%	100%	100%	**–**	
UNITE ownership (£m)		**221**	**117**	**26**	**43**	**768**	**–**	**1,175**	

The investment portfolio is split between London (41%) and the rest of the UK (59%). At the beginning of the year, London projects would have represented approximately 50% of the UNITE portfolio on a built out basis. However, the acceleration of our regional development activity during 2013 means that our built out London weighting has fallen marginally to around 48% by the year end.

We currently favour new development in strong regional locations over London and as a result it is likely that our built out London weighting will fall further, to around 40%, as our regional development pipeline expands.

Student accommodation yields

Over the latter part of 2013, yields for student accommodation started to show some signs of modest compression. Across our portfolio, net initial yields moved from 6.55% to 6.50% reflecting a change of 5 bps. This was partly due to portfolio mix but also some movement in stronger regional locations, reflecting the increasing level of demand for good quality, well located purpose built student accommodation.

Indicative yields

	2013		2012	
	Direct let	**University guaranteed**	Direct let	University guaranteed
London	**6.0–6.25%**	**5.35–5.6%**	6.0–6.25%	5.35–5.6%
Major provincial	**6.25–6.75%**	**5.85–6.1%**	6.5–7.0%	5.85–6.1%
Provincial	**6.75–7.25%**	**6.35–6.6%**	7.1–7.35%	6.35–6.6%

The investment market for student accommodation assets was positive in 2013 with approximately £2.1 billion of transactions recorded during the year, compared to £2.7 billion in 2012 when two particularly large transactions completed. The most significant transactions in 2013 were the sale of several former Opal portfolios for which demand was strongest from overseas investors. The portfolio nature of these transactions, together with the mixed quality of the underlying assets, makes precise yield evidence hard to establish. However, we believe the transactions were supportive of our current valuations.

Investor interest in the student accommodation sector is continuing to broaden and we expect continued high levels of transactional activity in 2014. However, in comparison to more established sub sectors of the UK Real Estate market, liquidity remains relatively low and we therefore expect yield movements to lag the wider market slightly.

Our business model is focused on growing recurring cash flow, primarily through new development activity and leveraging our brand across our established, high quality investment portfolio to deliver sustainable rental growth.

We have largely completed our non-core asset disposal programme (with £60 million of disposals completed/ exchanged unconditionally since our 2012 result and a further £15 million conditionally exchanged), and put in place a fixed low cost, longer term debt structure against our high quality core assets, meaning that the level of future asset disposals will be lower than in recent years. At this stage in our business, therefore, investment yields are of less importance to business performance than the 'cash on cash' economics of development, cost control and rental growth.

Development activity

During 2013 we made good progress with our four developments onsite, secured two new London development projects for LSAV (our 50/50 development joint venture with GIC) and accelerated our development activity in strong regional locations, subsequently securing three new sites in the early part of 2014. Our new regional development activity is being funded from the proceeds of a successful share placing in June 2013 (£50 million net proceeds), the majority of which has been committed to specific projects, and a convertible bond issue in October (£88 million net proceeds).

The returns from our development activity are very attractive with our secured London projects forecast to deliver an average yield on cost of 9.0% and strong regional projects delivering 9.5–10%. Our full 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 %
London								
2014 completions								
Stratford City	London	1,001	102	64	33	12	4	11.2%
St Pancras Way	London	571	85	59	19	9	3	9.8%
Total London (wholly owned)		**1,572**	**187**	**123**	**52**	**21**	**7**	**10.5%**
Regional								
2014 completions								
Kingsmill Lane	Huddersfield	378	19	14	8	6	1	10.1%
2015 completions								
Trenchard Street	Bristol	481	35	26	2	24	4	9.9%
2016 completions								
Newgate Street[1]	Newcastle	606	42	31	0	31	11	9.6%
Causewayend[1]	Aberdeen	399	26	20	0	20	6	9.7%
St Leonards[1]	Edinburgh	550	50	38	0	38	12	9.5%
Total Regional (wholly owned)		**2,414**	**172**	**129**	**10**	**119**	**34**	**9.7%**
Total (wholly owned)		**3,986**	**359**	**252**	**62**	**140**	**41**	**10.1%**

1 Subject to obtaining planning consent.

Property review continued

Secured development pipeline (LSAV)

		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	18	36	19	9.3%
2016 completions								
Stapleton House[1]	London	901	117	94	1	92	24	8.8%
Wembley Park[1]	London	696	62	49	0	49	13	8.8%
Total LSAV		2,356	263	197	19	177	55	9.0%
UNITE share of LSAV			**132**	**98**	**10**	**88**	**28**	**9.0%**
Total UNITE share			**491**	**350**	**72**	**228**	**69**	**9.8%**

[1] Subject to obtaining planning consent.

Wholly owned development

Our three 2014 completions are proceeding in line with budget and programme and are on track to be open and let for the 2014/15 academic year. Subject to achieving 90% occupancy, our Stratford project will be sold to LSAV later in 2014 and this will release funds back to the Group for investment into further development activity. We intend to retain the other two projects on balance sheet.

Following our decision to accelerate development activity in strong regional locations, our experience has been very encouraging. We have secured three projects (in Newcastle, Aberdeen and Edinburgh) for 2016 delivery and are in exclusive negotiations on a fourth project. These projects are all supportive of our 9.5–10% yield on cost targets and are in very strong locations that we expect to perform well for the long term.

Regional development costs are currently low, occupational demand remains strong and the planning environment is generally supportive. This creates a very attractive opportunity which we believe will persist for no longer than 12–18 months.

"Following our decision to accelerate development activity in strong regional locations, our experience has been very encouraging."

"Our three 2014 completions are proceeding in line with budget and programme and are on track to be open and let for the 2014/15 academic year."

LSAV development

Within LSAV, three excellent schemes have now been secured; Angel Lane in Stratford, Stapleton House in Islington and Wembley Park, meaning that 60% of LSAV's capital has been committed. Work began on Angel Lane, our second Stratford project, in late 2013 for completion in 2015. Stapleton House and Wembley Park are expected to obtain planning consents during 2014 and construction will start shortly thereafter for delivery in 2016. The three secured projects have a projected yield on cost of 9.0%.

Looking forward, the London development market is becoming more challenging. Alternative use (particularly residential) values for prospective sites are increasing and reducing the competitiveness of student accommodation bids, construction costs are beginning to escalate and the imminent adoption of the Community Infrastructure Levy (CIL) will have a further negative impact on the viability of student schemes. We have not placed a London development site under offer since Wembley Park in May 2013 and, based on current pricing, are unlikely to do so during 2014 unless there is a correction to land values.

Asset disposals

We have achieved £75 million of disposals comprising non-core assets from both the Group's own balance sheet and on behalf of co-investment vehicles, in line with expectations. These disposals included our remaining NHS properties and, as a result, our portfolio is now comprised exclusively of student accommodation assets.

Total asset sales	Proceeds £m	Book value £m
Completed/exchanged		
Wholly owned	19	20
USAF	34	33
Total	60	7
Under offer		
Wholly owned	15	15
Total	**75**	**75**

Since early 2011 the Group has sold £198 million of non-core assets comprising 2,390 beds, from its wholly owned and co-investment portfolios. Following this activity, our non-core asset disposal programme is now substantially complete and, as a result, asset sales in the future will be lower.

A year of results

"We transformed the capital structure of the business, securing long-term funding that will support our growth aspirations…"

In 2013 we delivered growth in all of our key financial metrics. Profits, cash flow and NAV growth mean that UNITE is well positioned to look forward with increasing confidence. The outlook for further rental growth and new beds opening in 2015 and 2016 mean we have good visibility about the future growth of the business.

In 2013, we transformed the capital structure of the business, securing long-term funding that will support our growth aspirations. The £51 million share placing that was completed in June has allowed us to secure new development sites in strong regional University cities. The three sites in Edinburgh, Aberdeen and Newcastle together with a fourth site that is under offer, mean that the proceeds from the placing are now fully deployed. We also secured over £1.1 billion of new debt finance on behalf of the Group and our co-investment vehicles. This new debt has been secured from a variety of sources and has resulted in cheaper finance and longer debt maturities.

We have continued to work closely with our co-investment partners to set and deliver the strategies across all of the co-investment vehicles. Looking forward, we are well positioned to take advantage of the favourable conditions in our market, with a strong, stable and flexible capital structure.

Joe Lister
Chief Financial Officer
6 March 2014

Income statement and profit measures

NPC and EPRA earnings are the key profitability performance measures for the Group. The detail of this performance is set out in the Operations review section of this report.

	2013 £m	2012 £m
Net portfolio contribution	**25.6**	19.1
EPRA earnings profit	**30.6**	15.9
Adjusted profit (pre UCC performance fee)	**23.1**	15.9
Profit before tax	**77.1**	126.2
EPRA earnings per share	**18.0p**	9.9p
Adjusted earnings per share (pre UCC performance fee)	**13.6p**	9.9p

EPRA earnings of £30.6 million for 2013 (2012: £15.9 million) includes the one-off receipt of a £7.5 million performance fee from UCC following the completion of refinancing within the joint venture. Excluding this amount, adjusted profit (pre UCC performance fee) was £23.1 million or 13.6 pence per share (2012: £15.9 million and 9.9 pence per share).

Profit before tax includes valuation gains and profit/loss on disposal of investment properties of £46.9 million (2012: £59.7 million). In 2012, a gain of £49.7 million was also included in profit before tax as a result of the one-off transfer of stock properties to investment assets.

A full reconciliation of NPC to Adjusted Profit and our Reported Profit before Tax is given in Section 2 of the financial statements.

Tax

The Group has built up a significant amount of brought forward tax losses and capital allowances, primarily as a result of the high volume of development activity it has undertaken over the last ten years. A net deferred tax asset of £0.6 million has been recognised in the Group's balance sheet representing the amount of tax that the Group believes it will be able to offset over the next three years with its brought forward losses. Deferred tax assets of a further £9.6 million have not been recognised in 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 means that the Group is unlikely to incur meaningful levels of tax within the next three years.

Cash flow and net debt

The Operations business has generated £23.2 million of net cash in 2013 (2012: £17.2 million) and see-through net debt increased to £666 million (2012: £648 million). The key components of the movement in net debt were inflows from the share placing (£50 million), operational cash flow (£23 million) and disposal proceeds (£14 million) less outflows related to swap break costs of £18 million and capital expenditure investment of £76 million.

Dividend

We are recommending a final dividend payment of 3.2 pence per share, (2012: 3.0 pence), making 4.8 pence for the full year, 0.8 pence per share higher than 2012 (2012: 4.0 pence), an increase of 20%. The increased dividend is a result of strong earnings growth and maintains our dividend pay-out ratio of one-third of NPC (NPC being a proxy for cash generation in the business). At this level the dividend is 2.7 times covered by operating cash flow.

Subject to approval at UNITE's annual general meeting (AGM) on 15 May 2014, the recommended final dividend will be paid on 19 May 2014 to shareholders on the register at close of business on 22 April 2014.

Share placing

We completed a placing of 16 million new ordinary shares in June at a price of 320 pence per share, raising net proceeds of £50 million. The proceeds are being used to fund a highly targeted regional development programme and this capital should be fully committed to projects during the first quarter 2014 and we expect those projects to be completed in 2016.

The placing has reduced NAV at 31 December 2013 by 6 pence per share due to the additional number of shares in issue. This modest NAV dilution is expected to unwind in 2014 and become substantially accretive from 2015 as profitable new developments are delivered. From an EPS perspective, the impact across 2013 was broadly neutral as the placing proceeds were immediately deployed to reduce debt levels on revolving facilities, thereby saving interest costs.

Debt financing

During 2013 we maintained our focus on reducing gearing levels, extending debt maturities, diversifying sources of capital and reducing financing costs, and have had some important successes. We completed over £1.1 billion of refinancing during 2013 and have concluded a further £124 million facility since the year end. Consequently the Group's refinancing activity is now largely complete. All key debt statistics have improved significantly as a result of this activity:

Key debt statistics (see-through basis)[1]

	2013	2012
Adjusted net debt	**£666m**	£648m
Adjusted LTV	**49%**	52%
Average debt maturity	**7.1 years**	4.1 years
Average cost of debt	**4.7%**	5.5%
Proportion of investment debt hedged	**86%**	88%
Proportion of unsecured debt	**27%**	15%

1 Key debt statistics are shown on a proforma basis to include the impact of refinancing completed in January 2014.

Debt maturity and LTV

As a result of the refinancing activity, the Group's debt maturity profile has improved significantly and the weighted average loan maturity is 7.1 years (2012: 4.1 years). The Group's see-through LTV reduced to 49% at 31 December 2013 from 52% at the end of 2012. We will continue to manage our gearing proactively and intend to continue reducing this over time towards 40% as future capital growth and development profits increase the Group's equity base.

Covenant headroom

We were in full compliance with all of our borrowing covenants at 31 December 2013. Our debt facilities include loan-to-value and interest cover covenants that are measured at both a Group and an individual portfolio level and we have maintained significant 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.

Interest rate hedging arrangements and cost of debt

Our see-through cost of debt has reduced to 4.7% (2012: 5.5%), primarily as a result of the USAF bond and other financing activity, and the Group now has 86% of its see-through investment debt subject to a fixed interest rate (31 December: 88%). The Group cancelled certain interest rate swaps in the year as part of its refinancing activity, resulting in a £17.9 million reduction in adjusted profit (2012: £10.6 million). This reflected our decision to accelerate the remainder of some refinancing activity to take advantage of the low interest rate environment. This resulted in swap cancellation costs being incurred in 2013, slightly earlier than anticipated.

As the Group's refinancing activity is largely complete, swap breakage costs will be much lower in future years. We anticipate a further £2-3 million of such costs in 2014 and, in total, the cancellation costs incurred across 2013 and 2014 will be in line with management expectations and previous guidance.

Finance review continued

Funds and joint ventures

UNITE acts as co-investing manager of four specialist student accommodation vehicles that it established. The table below summarises the key financials for each vehicle:

Vehicle	Property assets £'m	Net debt £'m	Other assets £'m	Adjusted NAV £'m	UNITE share of adjusted NAV £'m	Adjusted LTV	Total return	Maturity	UNITE share
USAF	1,355	(583)	(15)	757	125	43%	12.6%	Infinite	16%
UCC	390	(212)	(7)	171	59	54%	10.0%	2022	30%
LSAV	80	(25)	–	55	28	31%	9.5%	2022	50%
OCB	174	(96)	(4)	72	18	55%	1.4%	2014	25%

During the year, both USAF and UCC completed major refinancing of their debts. In USAF, £565 million of new debt was put in place through a secured bond programme. This resulted in a reduction in USAF's average cost of debt to 3.7% (2012: 5%) and increased debt maturity to 9 years (2012: 2 years). This new financing will result in increased profits available for distribution, with the income yield expected to increase to approximately 7% (2012: 5.5%). UCC arranged a £149 million facility with Legal & General and a £77 million facility with RBS resulting in a reduction in its average cost of debt to 4% by the year end (2012: 5.5%) and an increase in maturity to 7 years (2012: 1 year).

Following the conclusion of the refinancing in UCC, a performance fee of £7.5 million became payable. The fee will be used to increase UNITE's stake in UCC from 30% to 34%.

USAF delivered a total return of 12.6% in 2013 and has been among the top performing fund in the IPD Specialist Funds index over the past five years, reflecting the quality of its portfolio and consistent rental growth performance. Following the refinancing of the majority of its debt facilities into longer term, fixed low cost bonds, its growth prospects have improved further and we anticipate ongoing strong performance. The Group has a 16.4% stake in USAF and we consider this to be a core strategic investment.

We have taken the decision to realise our investment in the OCB joint venture, which matures in August 2014, alongside OCB as our joint venture partner. We have now agreed terms with a credible prospective purchaser of the OCB JV assets and have entered into an exclusivity agreement with them. Due to the relative complexity of the transaction it has taken longer than originally planned. However, we remain confident that the assets will be sold later in 2014 at levels supportive of current valuations.

Once the OCB sale has concluded we intend to invest our share of proceeds to increase our stake in our UCC joint venture with GIC towards 50%. This will allow us to maintain our level of London exposure, avoid earnings dilution and help trigger the automatic merger of UCC and LSAV into a single entity. Once this outcome has been achieved the number of indirect vehicles we manage will reduce from four to two, contributing to a significant simplification of the Group's balance sheet.

Outlook

In recent months the market outlook for the student accommodation sector has strengthened further. As a result the outlook is the most positive it has been for a number of years:

- Demand, as evidenced by applications, continues to increase and planned Government policy changes look set to ensure this translates into higher levels of enrolments in the coming years, underpinning rental growth prospects
- Regional economies are recovering but land and build prices remain depressed, creating a window of opportunity for development in strong regional locations at cyclically low costs. The Group is well placed to capitalise on these
- Investor interest in the sector is broadening and deepening, both amongst UK and international investors. Although liquidity remains low relative to more established property sub-sectors and yield movements may therefore lag slightly, the emergence of sustained investor appetite is encouraging and contributes to a positive yield outlook.

Following a period of strong operational performance, targeted portfolio repositioning and comprehensive refinancing, UNITE is well placed to benefit from the improving sector outlook.

2013

CORPORATE RESPONSIBILITY REVIEW

COMMITTED TO SUSTAINABLE VALUE

We want UNITE to be the most sought after and trusted student accommodation brand, known as a good corporate citizen that is committed to responsible business practice. This supports our position as a sustainable business generating strong recurring cash flows.

We offer our students safe, secure and welcoming accommodation that supports their success whether defined as academic success, personal growth or future employability. Underpinning this is the trust we build with our employees, customers, partner Universities, communities and suppliers through operating our business in a transparent and responsible manner. We place a particular emphasis on the following areas:

Minimising our impact on the **ENVIRONMENT** through a commitment to sustainable business practice.

Working closely with our stakeholders to engage with, and integrate into, local **COMMUNITIES**.

Creating a **BUSINESS** that exceeds the expectations of its partner Universities and suppliers, and provides best in class returns for our investors. We owe our success to considering and exceeding the needs of all our stakeholders.

Growing diverse, talented and engaged teams and providing the opportunities for our **PEOPLE** to realise their personal and professional potential.

To enable this, our Strategy & Commercial Director is responsible for managing our performance across these four key areas.

LED lighting upgrade

We have partnered with Philips Lighting to install state of the art LED lighting and advanced controls in all our buildings, including every customer bedroom. This will bring significant energy and carbon savings, reduce maintenance and hazardous waste, and considerably improve lighting levels to create a healthier and more effective environment for customers and staff.

ENVIRONMENT

During 2013, we continued to work to reduce UNITE's impact on the environment, taking important steps towards formalising our environmental policies and procedures. We are pleased that our residential carbon emissions from gas, electricity and operating our buildings reduced meaningfully compared to last year, 10-15% across each measure. We attribute this, in large part, to improved communication with our customers about heating controls and energy use, and milder weather. Also, DEFRA slightly reduced its carbon factor for electricity, which reduced our total electricity CO_2 per bed by 7.3% in addition to lower consumption. Our CO_2 emissions from company vehicles increased by 32% and during 2014 we are actively working to reduce these emissions through staff engagement and by setting reduction targets, following further evaluation of the 2013 data.

Within our properties, we installed new heating controls and are trialling ways we can reduce heating demand. We are now able to collect data for over 95% of our electricity consumption through automatic meter readings and have installed extensive sub-metering to a number of sites, monitoring energy consumption for individual uses such as bedroom heating, lighting, small-power, water heating and cooking. This is providing valuable data to help us target and assess energy saving opportunities.

Shower-head and toilet upgrades have been trialled and the best solutions for high usage sites been identified. We've installed a water treatment system at selected sites that prevents limescale damage to toilets, boilers and water services, and in doing so reduces energy and water consumption. Following last year's pilot, we installed LED lighting in three properties and plan to replace all existing lighting across our entire portfolio with state of the art LED lighting and controls over the next two years.

Our Energy and Environment team undertook a climate change risk assessment with the Operations Board which informed their business strategy and planning. The team also recruited a dedicated Sustainability Engagement Coordinator who will be launching a nationwide sustainability engagement campaign aimed at employees and students during 2014.

Our Energy and Environment team undertook a climate change risk assessment with the Operations Board which informed their business strategy and planning.

We have been reporting our carbon emissions for several years ahead of the recent mandatory reporting requirements, and also disclose information via the CRC scheme and to independent bodies such as the Global Real Estate Sustainability Benchmark and West of England Carbon Challenge. UNITE is also now a member of the Environmental Association for Universities and Colleges. In 2013 we received an E rating from the Carbon Disclosure Project (CDP) reflecting our lack of formal environmental policies and targets. While recognising that many respondents fail to even achieve an E rating, we are keen to improve our CDP rating as a measure of our environmental performance. We had already identified our policies and procedures as an area of opportunity and are implementing an environmental management system in line with the requirement of ISO 14001 during 2014.

11%

Reduction in residential CO_2 emissions

▲ Climate Week in Exeter

Across our properties in Exeter the city team rolled out a week long programme of events for Climate Week to raise awareness among students and staff of how to reduce their carbon footprint. Daily energy saving activities encouraged students to turn down their heaters and wear a jumper, switch off lights, and grow their own edible plant.

Heating controls

A warm and comfortable home is an essential part of what we offer our customers; however, equally important is that we do this efficiently and effectively. As colder weather approached, we worked closely with specialist heating controls manufacturer, Prefect Controls, to optimise our existing heating systems and develop the next generation including timer and presence controls.

Carbon emissions data

Absolute energy use:

	2013	2012	Change 2012-2013
Residential gas (kWh)	**28,563,633**	34,141,371	-16.3%
Residential electricity (kWh)	**111,527,805**	116,609,386	-4.4%
Company car use (km)	**847,940**	633,223	33.9%

Absolute CO_2e emissions:

	2013	2012	% change
Residential gas emissions (tonnes CO_2e) (Scope 1)	**5,257**	6,323	-16.9%
Residential electricity emissions (tonnes CO_2e) (Scope 2)	**49,683**	56,245	-11.7%
Total residential emissions (tonnes CO_2e) (Scopes 1 + 2)	**54,940**	62,569	-12.2%
Company car (tonnes CO_2e) (Scope 3)	**161**	123	30.8%

CO_2e emissions per bed:

	2013	2012	% change
Residential gas emissions (tonnes CO_2e/bed) (Scope 1)	**0.129**	0.153	-15.7%
Residential electricity emissions (tonnes CO_2e/bed) (Scope 2)	**1.215**	1.357	-10.5%
Total residential emissions (tonnes CO_2e/bed) (Scopes 1 + 2)	**1.344**	1.509	-11.0%
Company car (tonnes CO_2e/bed) (Scope 3)	**0.004**	0.003	32%

* 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_2e/kWh) 0.184040, grid electricity (kgCO_2e/kWh) 0.445480 and company cars (kgCO_2e/kWh) 0.19023.

Forming stronger relationships with local communities, charities, businesses, Universities, our staff and the students who live with us, creates additional value for wider society.

Healthy eating

Our Liverpool team partnered with local business, Student Grub Company, and Liverpool John Moores University to provide a free fruit and veg box for students when they checked-in. Each welcome box contained everything students needed to cook a healthy meal for all their flatmates. In addition to providing a great welcome gift, the box promoted healthy eating as part of our Wellbeing campaign, helped the team strengthen University relationships and had a positive impact on the community by supporting local providers.

Curtis Reid, President of Liverpool Students' Union, said:

"It's fantastic that LJMU and UNITE are working together to promote healthy living to new students. Student Grub shows that it is possible for students to eat well on a budget."

COMMUNITIES

We recognise that all businesses have a responsibility to manage their operations in a way which has a positive impact on all stakeholders and communities. We take this responsibility very seriously and believe that forming stronger relationships with local communities, charities, businesses, Universities, our staff and the students who live with us creates additional value for wider society.

We created the UNITE Foundation in 2012 to focus our charitable and community activity on causes which have the most resonance for the sector in which we work, in turn forging closer links with many parties who are crucial to the successful delivery of our strategy. During 2013, we expanded the UNITE Foundation Scholarship programme so that it now supports 56 students from disadvantaged backgrounds through partnerships with seven Universities. We recognise that access to student accommodation is a valuable asset that can support social mobility in Higher Education. We also provide interns from the Speaker's Parliamentary Placements Scheme and Upreach with subsidised accommodation enabling them to take up employment opportunities away from home.

The UNITE Foundation also makes targeted donations to established charities that further the aims of the Foundation including IntoUniversity, which provides local learning centres that support young people from disadvantaged backgrounds to attain either a University place or another chosen aspiration. In 2013 we provided opportunities for our employees and customers to volunteer their skills and time to support IntoUniversity. This included helping to prepare a new centre for opening in Nottingham and running a Christmas party for children from the Bristol centre. Students living with UNITE also volunteered as mentors to children at IntoUniversity centres.

UNITE | Foundation
widening access, supporting ambition, inspiring success

During 2013 our city teams made some strong progress in building relationships with local councils and emergency services, and integrating students into their local community. For example:

- Our North London team piloted a scheme with Islington Council, helping adults with learning difficulties find employment and, so far, have provided one permanent role through the programme – 90% of people with learning difficulties never get a job after college.
- Our team in Bath built ties with the local Police and Communities Together group and now hosts the local meetings in one of our common rooms. This has improved the team's relationship with the local community and raised awareness of UNITE in the wider area.
- As part of our Wellbeing programme, the Liverpool team partnered with local business Student Grub and Liverpool John Moores University to provide every flat in one of our properties with a box of healthy food to encourage students to cook a healthy meal together.
- UNITE's Nottingham team set up a series of initiatives focused on improving students' employability through community engagement. They built relationships with the University Volunteering scheme, the University Tutor scheme and the IntoUniversity centre in Nottingham to involve customers in volunteering and encourage students to become involved in the local community.
- Our Newcastle team work closely with local café, Skylight, close to one of its properties. The café is run as a social enterprise that trains and employs homeless people. The team uses Skylight for meetings and team events, orders its catering from the café and allows Skylight to use their common room for events.

We recognise that we could do more, centrally, to support this activity and our focus for 2014 is on improving our capabilities in this area so that we can establish minimum requirements for communities outreach and learn from the best practice that is already taking place in some of our cites. We plan to become members of Business in the Community to help with our approach and to build a network of community champions within our cities.

Creating employment

Neil joined our Emily Bowes Court property team as our post room assistant on a pilot scheme we ran in partnership with Islington Council to find jobs for adults with learning difficulties. Despite having been looking for work for eight years, Neil soon settled into his role and has relieved the Emily Bowes service and sales assistants of processing up to eight sacks of mail per day. This scheme not only benefited Neil as an individual but has enriched the team at Emily Bowes.

Supporting Parliamentary interns

The UNITE Foundation partners with the Social Mobility Foundation to support the Speaker's Parliamentary Placements Scheme. This is a paid internship scheme that gives participants the opportunity to spend more than nine months working with a Member of Parliament in Westminster. It aims to broaden diversity within government by targeting those who would otherwise find the cost of living and working in London without pay, prohibitive.

> "London is one of the most expensive cities in the world to live in and the cost of housing is often one of the biggest barriers to those who seek to take up internships in our capital. That is why the support of the UNITE Foundation is so vital to the young people who take part in the Speaker's Parliamentary Placements Scheme."
>
> **Hazel Blears, MP**

We behave with integrity in the relationships that allow our business model to work. This underpins our position as a sustainable business generating strong recurring cash flows.

Supporting small businesses

Our Scotland Area Facilities Manager, John Stevenson, began working with sole trade window cleaner, First Glass, at one of the city's five properties. He was very reliable and John was keen to give him more work. John worked with business owner, Kenny Rogers, over time on his business plan and strategy. First Glass is now contracted to clean the windows at all UNITE's Glasgow, Aberdeen, Edinburgh, Leeds and Newcastle sites and has won a number of other contracts. Kenny now employs six members of staff and operates a fleet of five vehicles.

BUSINESS

We behave with integrity in the relationships that allow our business model to work. This underpins our position as a sustainable business generating strong recurring cash flows.

During 2013 our Procurement team updated our supplier pre-qualification questionnaire to ensure that the companies we work with are responsible, well-run businesses that treat their staff fairly and have the right procedures and insurance in place. This gives us a more holistic view of suppliers when viewed alongside our financial due diligence process. Where possible, we work with local suppliers, particularly in our cities, and use an umbrella company that enables us to trade with sole traders in a protected way. We also installed a portal that ensures our employment agencies are paid a fixed margin, giving us transparency of temporary staff costs so we can ensure our agency workers are paid fairly.

UNITE has always undertaken and published research and in 2013, recruited a dedicated Market Intelligence (MI) team to ensure all the Group's business decisions are underpinned by insight. The MI team established the UNITE Customer Panel made up of 400 UNITE students, which allows us to gain direct feedback and input into decisions from our customers. The Panel is being expanded in 2014 to include non-UNITE students and parents, and will also be offered to University partners. The team also runs the Group's Research and Insight Forum which coordinates research across our business units so that we gain maximum value from any research we undertake, and are able to share this effectively with the wider sector.

Our internal processes and procedures, and our Operations Manual were updated by our Operations Support Team during 2013. Access to these important documents was improved through our investment in mobile working which allows them to be accessed from anywhere in our properties. Accessing these resources through mobile devices also helped employees follow the guidelines more consistently as they were guided through step by step. Our crisis procedures were also reviewed and updated by Operations Support in partnership with our Health and Safety team.

Around half our 41,000 rooms are rented to students through nominations agreements with Universities. We continued to strengthen our relationships with our University partners through the formation of a dedicated University Partnerships team. We recognise that every institution has different needs and this team worked closely with UNITE's Head of Higher Education Engagement, and our city teams, throughout the year to improve the way we manage HE relationships and to tailor our accommodation offer to better meet the needs of our nominations agreement partners.

The UK's Higher Education sector is going through a time of profound change and growth. Our Head of Higher Education Engagement works closely with senior colleagues across the business to stay ahead of changes in the sector. By doing so, we can better understand the role that accommodation can play in enhancing a unique student experience for each of our University partners.

We aim to grow diverse, talented and engaged teams where all employees have the support, development and opportunity to realise their professional and personal potential, enabling success and delivering a sustainable high performance culture.

PEOPLE

We aim to grow diverse, talented and engaged teams where all employees have the support, development and opportunity to realise their professional and personal potential, enabling success and delivering a sustainable high performance culture.

In 2013 we focused on training and development, and providing clear career progression for our employees. Online learning became freely available on the intranet with modules including Mobile Working and Loan Working. We also launched our Becoming a Supervisor training course. There were 65 successful graduates in the inaugural year who are now on the path to more senior roles within UNITE. Importantly, Becoming a Supervisor is accredited by the Institute of Leadership and Management (ILM). Further development programmes for all roles are being introduced in 2014.

Students from 215 countries lived with us during 2013 and introduced cultural training for staff who have a high percentage of international students living in their properties from China, Malaysia, Cyprus, Thailand, India and Nigeria.

The investment that we have made has been recognised externally and this year we gained the 'Investors in People Silver' accreditation. We also received our highest ever employee satisfaction score in our annual survey.

2013 was a successful year for UNITE thanks to the hard work of our employees. We celebrated the contribution of 115 staff members who went the extra mile for UNITE at our annual, black tie, Stars Awards. Our long service awards took place at Woburn Abbey and brought together 114 employees with over 370 years' collective service.

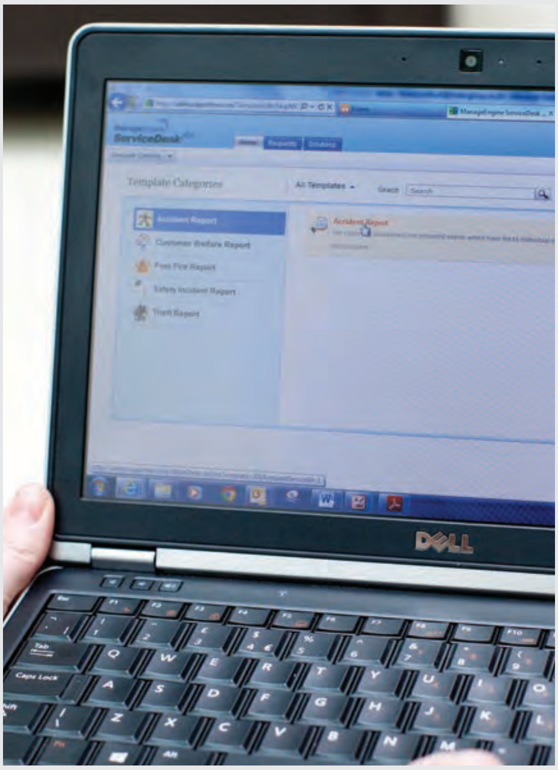
Launched Wellbeing programme

Student mental health is a growing concern across the HE sector. Our annual Higher Education partner survey confirmed feedback from our staff, that this was an area in which accommodation providers can make a significant impact on the lives of students. In 2013 we launched Wellbeing, a broad approach to ensuring the welfare of our student residents in all aspects of their life – physical health, mental health, study and achievement. Working in close partnership with University student services departments, our staff are able to provide support to students in a crisis, a sympathetic ear to students who are unhappy or concerned, and referrals to counselling and other specialist services to those who need it. Wellbeing is also about promoting positive lifestyles and habits, and initiatives involving healthy eating, stress reduction, good study habits and exercise throughout the year.

Becoming a Supervisor

UNITE's accredited development programme, Becoming a Supervisor, is designed to provide participants with the confidence, skills and knowledge to progress to the next stage of their career. Emma Hamilton, Business Development Coordinator, said:

"The course has been a great development platform for me that has supported my supervisory responsibilities. I feel better equipped to carry out my role with the knowledge and skills I have been able to develop and I felt a sense of achievement and pride after passing the course. I am looking forward to future development courses that will be on offer and I will certainly recommend the Becoming a Supervisor course to my colleagues."



PEOPLE continued

Health and Safety remained at the core of our business and the main areas of focus in 2013 were workplace safety and fire prevention. For more information on the work of the Group's Health and Safety Committee, see page 61.

The Safety Support team rolled out a new Accident and Incident Management System (AIMS) which provides greater clarity over incidents relating to workplace safety, fire prevention, security and customer welfare support. On fire prevention, we installed over 500 fire door alarms in kitchens which help our customers recognise the importance of keeping kitchen fire protection doors closed. The installation programme is continuing into 2014 with a further 300 installations planned. During 2013, we also saw the roll-out of further safety training and a new Safety Support Services intranet site detailing clear procedures to support both our Health and Safety and Fire Prevention Policies. A Health and Safety training session was also held for the Operations Board and all Area Managers, to ensure their knowledge and understanding of the area is up to date.

65

Graduates of UNITE's accredited Becoming a Supervisor course

370

Years' collective service celebrated at our long service awards

Online accident reporting

In 2013 the Safety Support Services team worked with internal business partners to build an online reportable accident and incident system. Employees are now able to report safety issues, welfare incidents, accidents, theft and fires online. From this, managers are able to access reports that permit trend analysis to be carried out and risk control measures to be applied in an attempt to prevent or reduce the risk to safety of both customers and staff. Since its launch in May 2013, there have been over 2,000 incidents reported on the system, ranging from minor incidents such as flooding to reportable accidents. The business now has sight of activities relating to safety and allows UNITE to act as both a responsible landlord and employer.

H&S management system

In 2013 the Safety Support Services team produced an internal safety management system for UNITE. This consisted of an overarching Group Safety Policy and a Fire Prevention Policy and procedural guides to support business compliance from gymnasiums to window safety. Risk assessments for all job roles have been created alongside a suite of safety and fire safety training courses to further develop our employees in key focus areas.

The team has worked with internal business partners to build a Safety Support Services home page on our company Intranet site. This simple and user friendly 'one stop shop' for safety was launched at the end of 2013 and has proved invaluable as a support to the business, highlighting that people are our passion and safety is our strength.

Cultural awareness

With an eclectic mix of nationalities living with UNITE it is important for our employees to understand what international students will be experiencing and the cultural differences they will encounter through living and learning in the UK. We have produced a number of cultural guides, available through Online Learning, to help us support and meet their needs. The largest percentage of international students living with us come from China; in light of this we created a more in-depth Chinese training programme and customer-facing employees from all 23 cities have attended the course since its inception in July 2013.

Gender diversity split (%)

All employees

Male	56
Female	44

Senior managers (Operations and Property Boards and their direct reports)

Male	71
Female	29

Board Chairman, Executives and Non-Executive Directors

Male	8
Female	2

UNITE DIVERSITY POLICY

UNITE values diversity amongst its workforce. 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.

The purpose of this policy is to promote a culture of equality and fairness for all and ensure no person acting on our behalf shall discriminate in any situation against another individual or group, directly or indirectly, because of any of the nine protected characteristics stated in the Equality Act 2010. The protected characteristics are:

- age
- disability
- gender reassignment
- marriage and civil partnership
- pregnancy and maternity
- race
- religion or belief
- sex
- sexual orientation.

We are committed to a workplace free from processes, attitudes and behaviours that amount to direct discrimination, associative discrimination, discrimination by perception, indirect discrimination, harassment, victimisation and bullying.

All employees, whether part-time, full-time or temporary, will be treated fairly and with respect. Selection for employment, promotion or training will be on the basis of aptitude and ability. The talents and resources of the workforce will be fully utilised to maximise the efficiency of the organisation.

We strive to be an employer of choice and expect positive behaviour from our entire workforce to help create an environment that encourages equality. All of our employees have a responsibility to embrace and support this policy and must challenge processes, behaviour and attitudes that prevent us from achieving our Equality & Diversity Aims.

UNITE opposes and will challenge all forms of unfair discrimination.

Our 2013 Strategic report, from page 1 to page 49 has been reviewed and approved by the Board of Directors on 6 March 2014.

Mark Allan
Chief Executive Officer
6 March 2014

Committed to a culture of good governance

"The Board has driven the development of a market leading service platform with a particular emphasis on service delivery. Further, ensuring governance on health and safety is an integral part of our market leading service platform; the Board ensures health and safety governance through the Health and Safety Committee."

Our governance priorities for 2014

During 2014, our Governance priorities will focus on:

- The allocation of our capital and the Group's new developments; the Board will oversee the management of the build process, with a particular emphasis on planning and the timetable to completion
- Enhancing our market leading service platform; the Board will oversee the development of our brand coupled with an upgrade to our IT systems which will directly impact the way our customers deal with us.

Dear shareholders,

How governance supported UNITE's strategy during 2013

Our Group strategy comprises three elements: grow recurring profits and cash flow while building on our market leading service platform; enhance our portfolio quality; and strengthen our capital base. A strong governance culture and framework built around these three elements is essential to secure its successful delivery.

During 2013, the Board has continued to oversee the progression and implementation of the three strands of the Group's strategy. 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 Board has driven the development of a market leading service platform with a particular emphasis on service delivery. Further, ensuring governance on health and safety is an integral part of our market leading service platform; the Board ensures health and safety governance through the Health and Safety Committee.

A second area of focus was enhancing the quality of our portfolio. The Board reviewed and approved three new development projects, secured under contract, in strong regional locations, as well as three London projects as part of the LSAV pipeline. The Board scrutinised these projects, ensuring they meet the quality, location and target returns set by our strategy.

Finally, the Board focused on strengthening our capital structure. The focus in 2013 was on reducing our cost of debt, extending our weighted average loan maturity and diversifying our sources of finance (for more detail see page 38). The Board, led by the CEO and CFO, oversaw this activity, with a number of successful refinancings, a share placing and the issue of a convertible bond, all completed during 2013.

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 therefore actively involved in the day to day implementation of the strategy. This executive perspective is balanced by five Non-Executive Directors, including the Chairman, who bring a depth and breadth of experience in senior management, finance, customer service and real estate.

The Board has ultimate responsibility to UNITE shareholders for all the Group's activities and also a broader responsibility, extending to environmental and social issues, recognising that the Group is home to 41,000 students during a crucial stage of their personal development, and with Universities right across the UK. To discharge this broader responsibility effectively, the Group needs to operate in an open, harmonious and transparent manner. One way in which this is achieved is by ensuring open communication between the Board and senior UNITE management. Senior management regularly present to the Board; for example, during 2013, UNITE's Development Director, Funds Directors (representing our various co-investment vehicles), University Partnerships Director, Head of Legal & Company Secretary and Operations Directors (among others) presented to the Board. This access to senior management opens dialogue beyond the boardroom itself.

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

Appointments and succession

During 2013, 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 part of an orderly succession plan, Stuart Beevor left the Board after nine years and Andrew Jones was appointed to supplement our Real Estate experience. In May 2014, Richard Walker will also leave us after nine years' service and we have appointed Elizabeth McMeikan (who joined on 1 February 2014), who brings significant experience in customer-focused businesses to our Board.

Richard Walker's positions as Chair of the Remuneration Committee and Chair of the Health and Safety Committee will be taken by Elizabeth McMeikan and Sir Tim Wilson respectively, following Richard's departure.

"The Board has ultimate responsibility to UNITE shareholders for all the Group's activities and also a broader responsibility, extending to environmental and social issues, recognising that the Group is home to 41,000 students during a crucial stage of their personal development…"

UK Corporate Governance Code

During 2013, our governance framework was enhanced to take into account the revisions in the UK Corporate Governance Code (the Code) introduced in September 2012 and also the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the 2013 Regulations).

The Code remained the minimum standard against which we measured ourselves during 2013. The Code is published by the Financial Reporting Council (FRC) and is available at www.frc.org.uk. We complied with all the provisions in the Code during 2013 and expect to be fully compliant during 2014.

The edition of the Code published in September 2012 applied throughout our financial year ending 31 December 2013, but the Financial Conduct Authority has yet to change the Listing Rules and therefore requires that certain compliance statements are made in relation to the previous edition of the Code, issued in June 2010. This report addresses the requirements of both editions of the Code.

During the year to 31 December 2013 the Company has in all respects complied with the provisions of both editions of the Code.

Phil White
Chairman of the Board
6 March 2014

Board of Directors

The right mix of skills and experience

Phil White
Chairman

Committees

Remuneration Committee
Nomination Committee

Experience
Phil became 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, Non-Executive Chairman of Lookers plc and Non-Executive Director of Stagecoach Group plc.

Mark Allan
Chief Executive

Committees

Health & Safety Committee

Experience
Mark was appointed as Chief Executive in September 2006, following three years as Chief Financial Officer. Mark held a variety of other roles in the business prior to that, having joined the Group in 1999. 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

Committees

Chair of Risk Committee

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

Manjit Wolstenholme
Senior Independent Director

Committees

Chair of Audit Committee
Remuneration Committee
Nomination Committee

Experience
Manjit qualified as a Chartered Accountant with Coopers & Lybrand and has strong financial and executive experience, including roles as Chief Operating Officer of Kleinwort Benson, Co-Head of Investment Banking for Dresdner Kleinwort Wasserstein and a Partner in Gleacher Shacklock. She is Chair of Provident Financial plc and Senior Independent Director and Chair of the Remuneration Committee of Future plc. Manjit is also a Non-Executive Director and Chair of Audit Committee for Aviva Investors.

Elizabeth McMeikan
Non-Executive Director

Committees

Audit Committee
Remuneration Committee
Nomination Committee
Health & Safety Committee

Experience
Liz was appointed Non-Executive Director of UNITE in February 2014. She has significant experience in customer-focused businesses, Tesco and Colgate Palmolive, where she was successful in driving growth through a thorough understanding of customer needs and an innovative marketing approach. Liz is Senior Independent Director at FTSE 250 pub group JD Wetherspoon and family-owned wine merchants Direct Wines. She is also 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.

Richard Walker
Non-Executive Director

Committees

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

Experience
Richard brings strong operational expertise to the Board. He formerly held the roles of Customer Experience Director and Chief Operating Officer at TalkTalk (Telco Arm of Carphone Warehouse Group), and was responsible for their customer experience change programme. Prior to this, Richard was Chief Operating Officer of Carphone Warehouse UK, with responsibility for the Group's 750 UK stores, websites, direct sales and insurance services. Richard was previously European Managing Director of Carphone Warehouse's European retail business. He holds a law degree from Nottingham University and trained as an accountant with Coopers & Lybrand. Richard was recently appointed as Non-Executive Director of Lookers plc.

Richard Simpson
Managing Director of Property

Experience
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

Experience
Richard was appointed as Managing Director of Operations for UNITE in 2011. His role involves leading the service provided to our 41,000 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, 13 of which were at National Express Group plc where he held a range of senior finance, strategy and operations roles in the UK and overseas, including Group Development Director and Chief Financial Officer North America.

Professor Sir Tim Wilson
Non-Executive Director

Committees

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

Experience
Sir Tim was appointed Knight Bachelor for services to Higher Education and to business in the 2011 New Year's Honours List. He is a strong advocate of the role of Universities in economic development and 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 also 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.

Andrew Jones
Non-Executive Director

Committees

Audit Committee
Remuneration Committee
Nomination Committee

Experience
Andrew is Chief Executive Officer of LondonMetric Property, following the 2013 merger of London & Stamford and Metric. He was co-founder of Metric and its Chief Executive Officer since its launch 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.

Relations with shareholders

Relations with shareholders

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 2013. 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 2014.

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

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

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

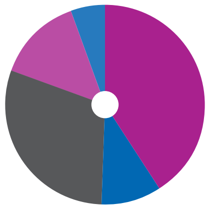
The results of the votes at the annual general meetings, together with details of the level of proxy votes lodged for each resolution, are made available on a regulatory information service and on the Company's website at **www.unite-group.co.uk**.

Notice of the annual general meeting is set out on page 135.

Results of AGM 2013

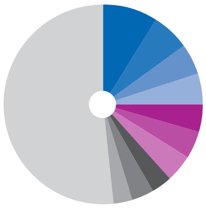
	Total votes for and discretion %	Total votes against %
1 Accounts	98.8	1.2
2 Dividend	100.00	0.0
3 Remuneration Report	99.8	0.2
4-12 Appointment of Directors	92.3 to 99.9	0.1 to 7.6
13 Re-appointment of Auditors	92.6	7.4
14 Auditors' remuneration	82.3	17.7

Shareholders by geography %

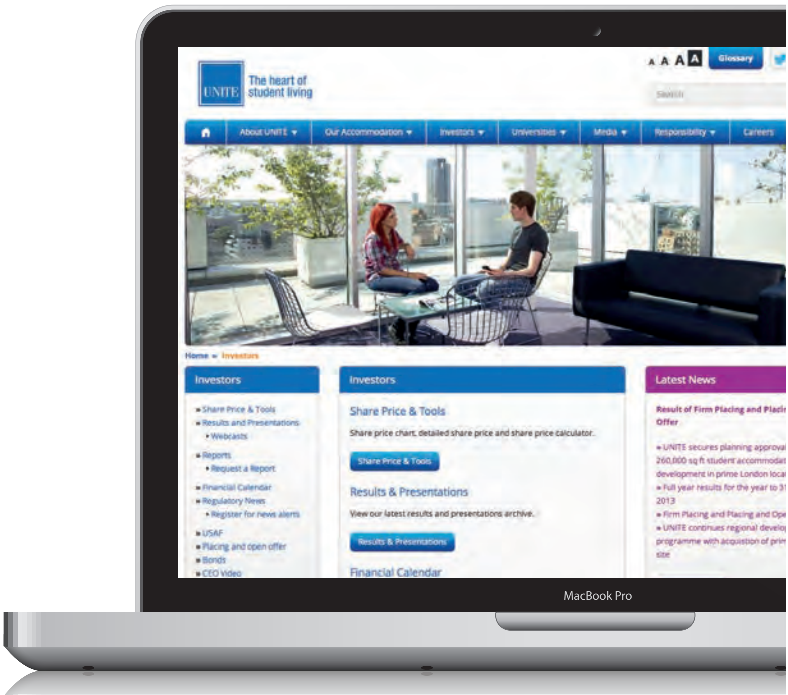


England and Wales	41.1
Scotland	9.7
North America and Canada	29.8
Rest of Europe	14.0
Rest of World	5.4

Top ten shareholders %



FIL Limited/FMR LLC	9.1
Old Mutual Asset Managers Limited	6.0
Lloyds Banking Group	5.0
BlackRock Inc.	5.0
Royal London Asset Management Limited	4.6
Franklin Resources Inc.	4.4
APG Algemene Pensioen Groep N.V.	4.3
Aberforth Partners	3.5
Legal & General Investment Management Limited	3.4
Norges Bank Investment Management	3.1
Other	51.6



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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 forward 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, the Company'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 UNITE partners with, so that 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:

- **Operational, property and financial updates:** To provide the Board with the necessary information to track the Group's performance and challenge any problems with performance
- **New development schemes:** This is to 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 schemes
- **Strategy and five year plan:** To discuss, review and approve our strategy and five year plan, and track how we are performing against our current strategy and the five year plan
- **Risk review:** A review and discussion of our key risks at a Group level and also a review of our operational level risks (the Board's operational risk review is to verify that risks have been properly identified and that appropriate risk mitigation plans are being properly managed with clear actions and ownership
- **Market and Higher Education sector updates:** To ensure the Board is equipped with the most up-to-date knowledge and understanding of the industry and environment we are operating in
- **Training:** To ensure the Board is up to date on key legal and regulatory changes (for example, during 2013, there was training on changes in the UK Corporate Governance Code, changes in executive remuneration reporting and the Directors' Remuneration Report and changes in narrative reporting for the annual report)
- **Regular updates from the Board Committees on their activities and recommendations:** This to ensure the detailed work performed in the Board Committees is considered by the Board as a whole.

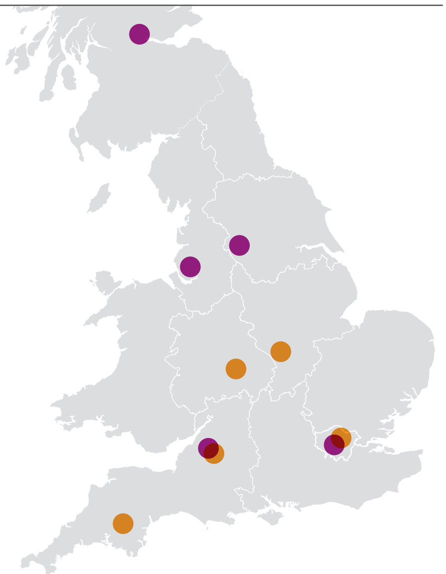
Senior managers are regularly invited to attend meetings and present to the Board on the areas they manage, and for which they have domain expertise. This provides the Board, and in particular the Non-Executives, with direct and open access to managers throughout the Group and helps foster a culture of openness and directness.

Details of the number of meetings the Board and its Committees held during the year, and attendance of Directors at those meetings, are set out in the table on page 57.

Board meetings

2013	
Birmingham	1
Bristol	2
London	7
Plymouth	1
Leicester	1

2012	
Bristol	3
London	5
Huddersfield	1
Liverpool	1
Edinburgh	1



Leadership continued

Composition and appointments

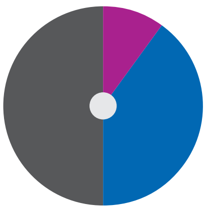
The Board currently consists of the Chairman, four Executive Directors and five Non-Executive Directors.

Andrew Jones joined the Board on 1 February 2013. On 16 May 2013, Stuart Beevor, previously Chair of the Remuneration Committee and Senior Independent Director, stood down from the Board, having by then served for nine years as a Non-Executive Director of the Company.

Elizabeth McMeikan was appointed to the Board as an additional Non-Executive Director with effect from 1 February 2014.

At the annual general meeting of the Company, convened for 15 May 2014, Richard Walker (currently Chair of the Remuneration Committee and Health and Safety Committee), will retire from the Board having, by then, served nine years in office. Richard will be replaced by Elizabeth McMeikan as Chair of the Remuneration Committee and by Sir Tim Wilson as Chair of the Health and Safety Committee.

Board breakdown



Chairman	1
Executive	4
Non-Executive	5

In accordance with the requirements of the Code, each of the current Directors, other than Richard Walker, offers himself/herself for re-election at the annual general meeting. Brief biographies of all the Directors are set out on pages 52 and 53. Following the individual performance evaluations of each of the Non-Executive Directors seeking re-election (other than Elizabeth McMeikan who was only appointed effective 1 February 2014), it is confirmed that the performance of each of these Non-Executive Directors continues to be effective. They each demonstrate commitment to the role, and add value and relevant experience to the Board.

Roles

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

Role	Description
Chairman	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	As Senior Independent Director, Manjit Wolstenholme's principal responsibilities are to: ▪ 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.

Board activity throughout the year

February	March	April	May	June	July
Group strategic five year plan	Review of USAF fund	Board meeting at Plymouth University and tour of Plymouth properties	Board meeting in Bristol and tour of Bristol properties	Review of student numbers	Sales performance to date
Review of student numbers	People plan review	Analyst review on Preliminaries	University partnerships	OCB JV review	UCC and LSAV JV review
Review of Preliminary Announcement, Annual Report and Accounts and recommend final dividend	London market review	Board evaluation	Development strategy and pipeline	Customer satisfaction scores	Five year strategic plan approval

Responsibility and delegation

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

- Approving the strategic objectives of the Group and the business plan to achieve those objectives
- Approving major investments, acquisitions, mergers and divestments
- Approving major development schemes
- Approving appointments to and dismissals from the Board
- Reviewing systems of internal control and risk management, and
- 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 this is necessary.

Board and Committee attendance at meetings in 2013

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	12	N/A	5	2	N/A
Sir Tim Wilson	Independent	01.12.10	12	5	5	2	2
Richard Walker	Independent	03.11.05	12	5	5	2	2
Manjit Wolstenholme	Independent	01.12.11	12	5	5	2	N/A
Andrew Jones	Independent	01.02.13	12	5	5	2	N/A
Mark Allan	Executive	17.11.03	12	N/A	N/A	N/A	2
Joe Lister	Executive	02.01.08	12	N/A	N/A	N/A	N/A
Richard Simpson	Executive	01.01.12	12	N/A	N/A	N/A	N/A
Richard Smith	Executive	01.01.12	12	N/A	N/A	N/A	N/A
Director who stepped down in the year							
Stuart Beevor	Independent	01.03.04 (resigned 16.05.13)	3	2	3	1	N/A

Elizabeth McMeikan, a current Non-Executive Director, did not attend any Board meetings during 2013 since she was only appointed to the Board effective 1 February 2014.

August	September	October	November	December
Review of half-year results and interim dividend	University reputation results – commercial	Board meeting in Leicester and tour of Leicester properties	IT strategy	Customer and employee satisfaction scores
	Review CSR and the UNITE Foundation	Review of 2013/14 lettings	Review of capital operating guidelines	2014 budget and impact on five year strategic plan
		2014/15 sales strategy	Property market review	

- **Strategy**
- **Commercial**
- **Investor relations**
- **Financial and risk management**
- **Governance**

Leadership continued

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 57.

Phil White
Remuneration
Nomination

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

Richard Walker
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 will become Chair of the Health and Safety Committee following the annual general meeting.

*** Elizabeth McMeikan will become Chair of the Remuneration Committee following the annual general meeting.

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 60.

Audit Committee: see the Audit Committee report on page 62.

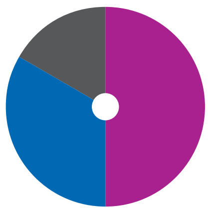
Health and Safety Committee: see the Health and Safety Committee report on page 61.

Remuneration Committee: see the Remuneration Committee report on page 67. 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 (other than Richard Walker who, after serving for nine years, will retire from Board at the annual general meeting), 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:



0-2	3
3-5	2
6-9	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 Board processes and corporate governance practices are followed.

Insurance

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

Effectiveness

Induction

On appointment, 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, and
- 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 also visits key locations to see our business operations and properties first hand and the Higher Education institutions we are partnering with. Also, they meet with key senior executives so from the outset they have access to managers throughout the organisation to help them form their own independent views on the Group and its performance, and the Higher Education sector we operate in. In addition, they are given the opportunity to meet with representatives of the Company's key advisors.

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

Chairman and Non-Executive Directors

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

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

The terms and conditions of appointment of the Non-Executive Directors are available for inspection at the Company's registered office and at the annual general meeting.

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. Every third year, this evaluation is conducted by an external advisor with the requisite skill and expertise. The last independent evaluation was undertaken in 2011 by Ffion Hague Independent Board Evaluation (which has no other connection with the Company) followed by internal reviews in 2012 and 2013.

Board induction

Elizabeth McMiekan joined the Board on 1 February 2014 as a Non-Executive Director and takes over as Remuneration Committee Chair once Richard Walker retires from the Board in May 2014. Her induction was organised by the Company Secretary and covered our operations and developments, the Higher Education industry, corporate governance and risk. In addition, with Elizabeth taking over the Remuneration Committee chair, Elizabeth's induction was further tailored to cover the 2013 changes in remuneration reporting and she spent time with the Group's remuneration consultants, Kepler Associates. So that Elizabeth could get close to the business, she visited a handful of our operating properties and our development sites throughout the UK. This will continue going forward, with Group Board meetings taking place throughout the UK with visits to our operating properties and development sites.

During 2013, the Non-Executive Directors, and the Board as a whole, considered the effectiveness of the Board and its Committees considering the criteria set out above. The Chairman evaluated the effectiveness of the Chief Executive and the Chief Executive evaluated the effectiveness of the other Executive Directors. In addition, the Senior Independent Director evaluated the Chairman.

This 2013 review concluded that the Board and its Committees were working effectively. In particular, it was noted that meetings were productive and well prepared for and the meetings ran smoothly. Senior managers throughout the organisation were invited to present to the Board on their areas of expertise. This ensured the Board had a deeper and uncluttered view of the organisation, our operations and the Higher Education industry. Further, this helped the Board constructively challenge matters brought to them for approval, and ensure there was well informed dialogue at the Board meetings.

The 2013 internal evaluation noted that, due to the large number of regulatory changes coming into force during 2013 (notably on the UK Corporate Governance Code, executive remuneration and narrative reporting), the Board should receive training on these key changes during 2013. This training did take place during 2013 with the result that the Board felt confident with the changes and believed it was being kept up to date with these developments.

A formal independent evaluation will be undertaken during the second half of 2014.

Committee overview

Nomination Committee report

Sir Tim Wilson
Chair of the Nomination Committee

Dear shareholders,

The Nomination Committee is integral to an effective Board. It ensures the Board has the correct balance of skills, experience, independence and knowledge. In addition, the Nomination Committee 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 2013, the Nomination Committee focus has been on appointing a new Non-Executive Director, Elizabeth McMeikan, who joined us on 1 February 2014. Elizabeth's appointment was part of our timely succession planning for Richard Walker, the Chair of our Remuneration Committee and Health and Safety Committee, who leaves us in May 2014 after nine years' service. Following Richard Walker's departure, Elizabeth will become the Chair of the Remuneration Committee and I will take over as Chair of the Health and Safety Committee.

Further, during 2013, we monitored the induction of Andrew Jones, who joined the Board on 1 February 2013, and also focused on senior management succession planning to ensure the future leadership needs of the business are kept under review.

Composition

The Committee is comprised entirely of Non-Executive Directors. The members of the Committee are set out on page 58 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 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, and
- Be responsible for identifying, reviewing and recommending candidates for appointment to the Board.

Activities in 2013

The major activity of the Committee in 2013 was the search and appointment of a Non-Executive Director to replace Richard Walker (who retires from the Board at the annual general meeting).

The Nomination Committee decided to look for someone with experience as an operator in a multi-site environment, particularly in the retail and/or leisure sector, where customer service is of vital importance and an understanding of digital media and social networking is key. The Zygos Partnership (a signatory to the Voluntary Code of Conduct for Executive Search Firms) was engaged to conduct a thorough search and this resulted in a strong list of candidates. The Zygos Partnership has no other connection with the Company. Following a series of meetings between the Nomination Committee and these candidates, Elizabeth McMeikan was invited to join the Board, which she did on 1 February 2014. Biographical details of Elizabeth McMeikan are set out on page 52.

In addition, as part of an ongoing Board succession planning review, the Nomination Committee reviewed the skills and experience of senior managers in the Group's various business units. The primary purpose was to establish the internal pipeline for future Board candidates and identify development needs for these high potentials.

Board diversity

As a business that provides homes for 41,000 students from many different backgrounds and countries, the Board recognises that diversity at the Board level and across the Group, including gender, is critical to our continued success. The Board is 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, experiences, perspectives and skills (see table on page 49). This is fundamental to us providing the best customer service to our diverse customers and understanding their needs.

The Nomination Committee considered during 2013 whether it wanted to set specific targets for female representation on the Board or other diversity targets. The Committee welcomes the developments in the Code to consider diversity at a 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.

Heath & Safety Committee report

Richard Walker
Chair of the Health & Safety Committee

Dear shareholders,

The Health and Safety Committee ensures the governance of health and safety in both our ongoing operations and our construction and development activity. We are home to 41,000 students and their safety, welfare and security are critical not only to us but also other key stakeholders, such as parents and Universities as well as the police and fire services.

During 2013, the focus of the Committee has been on the governance of workplace safety and fire prevention procedures, our key health and safety risks. These priorities have been implemented by our new Head of Health and Safety, appointed at the start of 2013. Fire and workplace safety will continue as our health and safety priorities for 2014, with a particular focus on a new auditing programme we are rolling out during 2014 to further enhance our safety and security in our properties. Further, we will be bench marking UNITE against other similar providers on workplace safety and fire prevention to help ensure governance in our health and safety processes and implement industry best practices.

I am pleased to report that during 2013 UNITE became a full member of the British Safety Council and affiliate member of the University Health and Safety Association.

Committee overview

Composition

- Richard Walker (Chair)
- Sir Tim Wilson
- Mark Allan

Richard Simpson (Managing Director, Property) and Richard Smith (Managing Director, Operations), together with the Group Head of Health and Safety, Douglas Cameron, also attend meetings of the Committee.

Role

The role of the Health and Safety Committee is to:

- Ensure the Group's policies, procedures and working practices regarding health and safety meet or exceed legal obligations
- Annually review the Group's Health and Safety policy
- Ensure 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, and
- 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 management identifies and implements any corrective action considered appropriate.

Activities in 2013

The major activity of the Committee in 2013 was workplace safety and fire prevention. The Safety Support team rolled out a new Accident and Incident Management System (AIMS) which provides greater clarity over incidents relating to workplace safety, fire prevention, security and customer welfare support. AIMS is being used by the business to direct resources more effectively and provide enhanced support material and training.

On fire prevention, the business installed over 500 fire door alarms in kitchens. These alarms help ensure our customers recognise the importance of keeping kitchen fire protection doors closed, this being one of the greatest causes of fire in our operating properties. The installation programme will continue into 2014 with a further 300 installations planned. During 2013, we also saw the roll-out of further safety training and a new Safety Support Services intranet site detailing clear procedures to support both our Health and Safety and Fire Prevention Policies.

Priorities for 2014

The Committee has set the following strategic priorities for 2014:

- A new auditing programme for fire risk assessment and workplace safety
- Revision of fire prevention procedures so as to see a decrease in incidents as well as false fire alarm activations
- A review of our induction and job role training for team members
- Improved information for our customers using modern media technology
- Benchmarking UNITE against other similar providers for our workplace safety and fire prevention to help ensure governance in our health and safety processes and implement industry best practices.

Accountability

Internal control

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

The provisions of the Code in respect of internal controls require that Directors review 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 such 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 and how the Board did this during 2013 is set out in 'Risk management' on page 64.

Business model

For a description of the Group's business model, see page 16 of the strategic report.

Audit Committee report

Manjit Wolstenholme
Chair of the Audit Committee

Dear shareholders,

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, and goes beyond to reassure shareholders that their interests are properly protected in respect of the Company'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 2013, the Audit Committee has continued to monitor the integrity of the Group's financial statements; assisted the Board in reviewing the effectiveness of the Company'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 also reviews the performance of the Group's external auditor each year and believes the relationship with the auditor 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 taken 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 Company 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, and

- 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 58 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 Executive, the Chief Financial Officer, the Deputy Chief Financial Officer, the Group Financial Controller and the External Reporting and Tax Manager.

I also invite our external auditor, KPMG Audit Plc, to each meeting. The Committee regularly meets separately with KPMG Audit Plc without others being present. As appropriate, I also invite our internal auditor, PricewaterhouseCoopers, to attend the meetings.

Committee meetings

The Committee met five times during the year and attendance at those meetings is shown on page 57 of this corporate governance statement.

Main activities of the Committee during the year

The Committee assists the Board in carrying out its responsibilities in relation to financial reporting requirements, risk management and the assessment of internal controls. It also reviews the effectiveness of the Company's Internal Audit function and manages the Company's relationship with the external auditor.

As part of this process of working with the Board and to maximise effectiveness, meetings of the Committee generally take place just prior to a Company Board meeting. 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 five meetings during the year, the Committee focused on the activities described below.

Following the publication of the revised version of the Code, which applies to financial years commencing on or after 1 October 2012, the Board requested that the Committee advise it on whether we believe the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. The Committee has undertaken a review and is satisfied that there are appropriate controls and procedures in place to ensure the Annual Report and Accounts are fair, balance and understandable. Additionally, this review covered all of the changes to the Code and the Committee has ensured the appropriate changes have been made to the Group's external reporting.

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 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 considered reports from the internal auditors 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 2013 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 there has been discussion with the external auditor, and
- 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 Company's performance, business model and strategy.

To aid our review, the Committee considers reports from the External Reporting Manager and also reports from the external auditor on the outcomes of their half-year review and annual audit. As a Committee we support KPMG Audit Plc 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 2013 financial statements related to:

- Property valuations, and
- Deferred tax assets.

Property valuation

The Group's principal assets are investment properties and investment properties under development that are either owned on balance sheet or in the Group's Fund or joint ventures. 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 Royal Institution of Chartered Surveyors 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 management consider the valuations to be appropriate.

During the year, the Committee met with two 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 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.

Deferred tax assets

The Group has significant tax losses brought forward from prior years. Recognition of deferred tax assets 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 forecast taxable profits which involve significant judgements and assumptions regarding future performance. Recent changes in Group strategy to reduce gearing levels and improved 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 which were then reviewed with the support of external tax advisors to ensure management considered the forecast taxable profits appropriate. Management also considered the impact on the Group's tax profile of potential conversion to a Real Estate Investment Trust (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 three years' forecast taxable profits.

During the year, the Committee has regularly discussed the recognition of a deferred tax asset with management and the Group's external auditor. The Committee was satisfied that the forecast approach and three year recognition criteria and assumptions were reasonable and hence the recognition of only a relatively small deferred tax asset included in the financial statements was appropriate.

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.

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 which is chaired by Joe Lister, the Group CFO. 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 to 29. We reviewed and challenged reports from the CFO and Head of Legal on the Group's risk evaluation process and reviewed changes to significant risks identified at both operating entity and Group levels. As part of this review, the Committee also 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 PricewaterhouseCoopers to perform internal audit activity. The Committee discussed and provided guidance for the programme of activity that would be undertaken by the internal auditor in 2013 and 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 receives the output from the Internal Audit reviews that are undertaken in the year.

The relationship with PricewaterhouseCoopers is managed by an Internal Audit Manager and the Group Financial Controller. Reports from the CFO include updates on audit activities and progress of the Group audit plan. During the year PricewaterhouseCoopers focused its internal audit work on cash management, cash flow forecasting and controls around Property investment and development activities. The internal audit report highlighted the positive engagement from the finance team in the preparation of risk and control matrices 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 Audit Plc a detailed audit plan, identifying its assessment of these key risks.

For the 2013 financial year the significant risks identified were in relation to the valuation of properties, funding covenants and refinancing, the recognition of income, cost and interest capitalisation and joint ventures due to the inherent management judgement required in these areas. These risks are tracked through the year and we challenged the work done by the auditors 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 Audit Plc at both the half-year and year end. 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 its audit strategy appropriately.

For the 2013 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 its audit, and
- 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, Bill Meredith, has been in place for two years. KPMG Audit Plc has been the Company's external auditor since its stock market listing in 1999 (14 years).

While the Group has not formally tendered the audit since then, the audit partner has been regularly rotated after five years of service on the Audit and Bill Meredith was instated prior to the launch of the revised Code. The transitional guidance suggests that the audit is tendered at the end of the current audit partner's five-year term, so in 2016. Notwithstanding this, the Audit Committee considers it appropriate to conduct a tender of the external audit contract before 2016 and a tender will be run within the next two years.

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 Company and KPMG Audit Plc that may have a bearing on their independence and receives confirmation that it is independent of the Company.

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 Audit Plc 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 Audit Plc 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 Company's auditors

	2013 £m	2012 £m	2011 £m
Audit of the Company's accounts	**0.2**	0.2	0.1
Audit of subsidiaries	**0.1**	0.1	0.1
Tax compliance services	**0.2**	0.2	0.2
Tax advisory services	**0.1**	0.2	0.2
Corporate finance services	**–**	0.1	–
Total fees	**0.6**	0.8	0.6
Audit and audit related	**0.3**	0.3	0.2
Non-audit related	**0.3**	0.5	0.4

During the year KPMG Audit Plc charged the Group £0.3 million for audit and audit related services. The Committee approved the fees for audit services for 2013 after a review of the level and nature of work to be performed, including the impact of acquisitions, and after being satisfied by KPMG Audit Plc 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 Audit Plc charged the Group a further £0.2 million for taxation compliance and £0.1 million for tax advisory services. While non-audit services amount to approximately 100% of the audit services, the Audit Committee considers this appropriate given that a significant portion of the non-audit services relate to the provision of tax compliance services (principally assistance with corporation tax returns). The Committee considers that these services are most suitably performed by the external auditor and could not be provided as cost effectively by another professional auditing firm. No valuation or accounting services are provided by KPMG Audit Plc.

The Audit Committee recognises that, to help ensure external auditor objectivity and independence, the level of fees for non-audit services as compared to fees for audit services going forward needs to be reduced. To address this, the Company will (as mentioned above) put its external audit contract out to tender within the next two years. Following the results of this tender, the Audit Committee will then consider what further steps are needed, if any, to reduce the level of fees for non-audit services charged by the external auditor as compared with the fees for its audit services.

Further details of the fees paid, for both audit and non-audit services, can be found in note 3 to the consolidated financial statements.

KPMG LLP

KPMG has informed us that for administrative reasons and to instigate the orderly wind down of business, they wish to formally change the entity which conducts our audit from KPMG Audit Plc to KPMG LLP. KPMG Audit Plc has indicated that it will not stand for re-appointment at our 2014 annual general meeting, however, KPMG LLP will seek election at this meeting. Our Board has decided to recommend KPMG LLP to be appointed as external auditor to the Company at the 2014 annual general meeting and an authority for the Directors to set the remuneration of the auditor will also be sought.

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' on page 59.

Annual Statement of the Chair of the Remuneration Committee

Directors' Remuneration Report

Richard Walker
Chair of Remuneration Committee

Dear shareholder,

It is my pleasure to present the Directors' Remuneration Report for the year ended 31 December 2013. We continue to operate a simple remuneration structure made up of base salary and benefits, a bonus plan and a single long-term incentive plan, which provides a clear link between pay and our strategic objectives.

Performance of the Company in 2013

2013 was another excellent year for the Group as we continued to deliver sustainable returns and growth for our shareholders. The key highlights are as follows:

- Recurring profits, measured as adjusted earnings per share, increased by 37.4% to 13.6 pence
- NAV per share increased by 9.1% to 382 pence
- See-through LTV ratio reduced to 49% from 52%
- See-through cost of debt reduced to 4.7% from 5.5%
- The Group invested £73.6 million (on a see-through basis; £83.9 million gross) in continuing development projects and improvements to the existing investment portfolio
- Largely completed our non-core asset disposal programme with £60 million of disposals (of which £19 million are wholly owned assets, £34 million UCC assets and £7 million USAF assets) completed/exchanged unconditionally since our 2012 results and a further £15 million conditionally exchanged
- Increased our dividend by 20% for the full financial year.

Aligning Remuneration Policy with Company principles and strategy

Building on its market leading position, the Group has been pursuing a clear and consistent strategy to grow recurring profits and cash flow, enhance the portfolio quality and establish a sustainable capital structure. We operate one simple annual bonus plan and LTIP where performance is assessed against a range of financial, operational and long-term returns ensuring value is delivered to our shareholders and participants are rewarded for the successful delivery of the key strategic objectives of the Company. Remuneration is heavily weighted towards variable pay, which is dependent on performance, ensuring a clear link between the value created for shareholders and the amount paid to our Directors.

Remuneration decisions for 2013

The basic salaries for Executive Directors will increase by 2.5%, in line with the rest of the organisation, effective 1 March 2014.

Following an outstanding year for the Group, Executive Directors will receive bonuses of 121% of their respective base salaries (out of a maximum 144% of salary). The Committee is satisfied that these bonuses reflect the Executives' contribution to the underlying performance of the Company over the last year.

Under the LTIP, performance share awards made in 2011 vested on performance to 31 December 2013. These awards were based on net asset value, net portfolio contribution and total shareholder return (TSR) outperformance of the FTSE 350 Real Estate. The Company exceeded maximum targets for both the NPC and TSR elements, whilst strong NAV performance resulted in around half of that element vesting.

During 2013, UNITE raised £50 million through a successful placing of new shares. Following the placing, the Remuneration Committee evaluated the potential impact on the outcomes of the performance related annual bonus and LTIP in respect of 2013. Given the quantum (less than 5% impact) and the consistent improved performance of the business as a whole, the Committee decided against amending the targets for the Executive Directors and other senior personnel.

During the year, soft clawback was introduced to the Executive Directors' bonuses and LTIPs reflecting feedback from our shareholders. The Committee also agreed to evolve the metrics on both the annual bonus and LTIP for 2014, reflecting feedback from shareholders as we continue to simplify our business model and reporting. Earnings per share and total return will replace NPC and NAV on the LTIP and we will move to an earnings per share metric for the annual bonus (from adjusted earnings).

Remuneration policy for 2014

The Directors' Remuneration Policy is set out for shareholder approval in the policy report on pages 68 to 75. Details on how the policy will be applied in practice for the 2014 financial year are set out in the Annual Report on Remuneration on pages 76 to 87. The Committee will continue to review the annual bonus and LTIP and will welcome feedback from our shareholders as we remain committed to an open and transparent dialogue.

New Chair

After nine years as a Non-Executive Director for UNITE, I will be retiring from the Board at the AGM. At that stage, Elizabeth McMeikan will become Chair of the Remuneration Committee and I wish her well in her new role at UNITE.

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 77 to 81), scheme interests awarded during the financial year (pages 82 to 83), payments to past Directors (page 83), payments for loss of office (page 83) and the statement of Directors' shareholdings and share interests (pages 85 to 87). The remaining sections of the report are not subject to audit.

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.

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 healthcare 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.

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

- 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 are asked to approve at the 2014 AGM. The Committee intends that the policy will come into effect from the financial year starting 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 (e.g. relocation) or in circumstances where factors outside the Company's control have changed materially (e.g. increases in insurance premiums).	None
Savings are capped at the prevailing HMRC limit at the time employees are invited to participate.	None

Directors' Remuneration Policy 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 clawback provisions.
LTIP To drive sustained long-term performance that supports the creation of shareholder value.	The LTIP comprises a Performance Share Plan (PSP) and an approved Employee Share Option Scheme (ESOS). The ESOS is used to deliver a proportion of the LTIP in a tax-efficient manner, and is subject to the same performance conditions as awards made under the PSP. Award levels and performance conditions are reviewed before each award cycle to ensure they remain appropriate and no less stretching than the first cycle. Clawback 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 Executives' personal performance over the course of the year, as measured by the twice-annual Performance Development Programme review. The Committee has discretion to adjust the formulaic bonus outcomes both upwards (within the plan limits) and downwards (including down to zero) to ensure alignment of pay with performance, e.g. in the event of one of the targets under the bonus being significantly missed or unforeseen circumstances outside of management control. The Committee also considers measures outside of the bonus framework (e.g. H&S) to ensure there is no reward for failure. Further details of the measures, weightings and targets applicable are provided on page 78.
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 per annum, 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, and ▪ Relative TSR. The Committee has the discretion to adjust the performance measures to ensure they continue to be linked to the delivery of Company strategy. Under each measure, threshold performance will result in 25% of maximum vesting for that element, rising on a straight line 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, i.e. to ensure the outcome is a true reflection of the performance of the Company. Details of the targets to be used in future LTIP grants are included in the Annual Report on Remuneration.

Directors' Remuneration Policy continued

Notes to the policy table

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

Performance measure selection and approach to target setting

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. As disclosed in our Annual Report last year, the Committee reviewed the performance measures during 2013 to ensure 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 Total Return 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 Total Return 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 SAYE scheme on the same terms.

Shareholding guidelines

The Committee continues to recognise the importance of Executive Directors aligning their interests with shareholders through building up a significant shareholding in the Company. Shareholding guidelines are in place that require Executive Directors to acquire a holding (excluding shares 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 Employee Share Ownership Trust (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

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 2014 in the cases of Richard Walker and Sir Tim Wilson; at the annual general meeting in 2015 in the cases of Phil White and Manjit Wolstenholme; and at the annual general meeting in 2016 in the case of Andrew Jones and 2017 in the case of Elizabeth McMeikan. The appointment and re-appointment and the remuneration of Non-Executive Directors are matters reserved for the full Board.

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

Non-Executive Director	Date of service contract
P M White	10 January 2009
R S Walker	3 November 2005
R J T Wilson	1 December 2010
M J Wolstenholme	1 December 2011
A Jones	18 October 2012
E McMeikan	13 November 2013

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

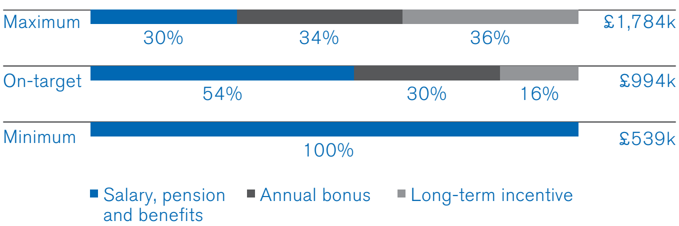
Function	Operation	Opportunity	Performance metrics
Fees To attract and retain Non-Executive Directors of the highest calibre with broad commercial and other experience relevant to the Company.	Fee levels are reviewed annually, with any adjustments effective 1 January in the year following review. The fees paid to the Chairman are determined by the Committee, 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 and Safety). Fee levels are benchmarked against sector comparators and FTSE-listed companies of similar size and complexity. Time commitment and responsibility are taken into account when reviewing fee levels.	Non-Executive Director fee increases are applied in line with the outcome of the annual fee review. Fees for the year commencing 1 January 2014 are set out in the Annual Report on Remuneration. Fee levels will be next reviewed during 2014, with any increase effective 1 January 2015. 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

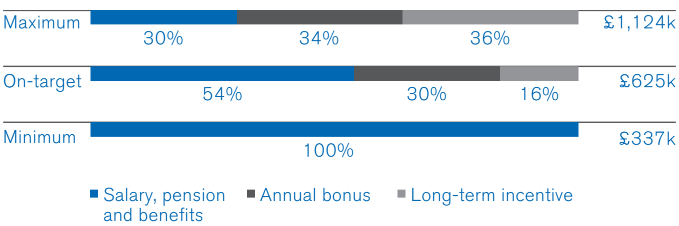
The charts below provide an illustration of the potential future reward opportunities for the Executive Directors, and the potential split between the different elements of remuneration under three different performance scenarios: 'minimum', 'on-target' and 'maximum'.

Potential reward opportunities are based on UNITE's Remuneration Policy, applied to 2014 base salaries. The annual bonus and LTIP are based on the level of maximum opportunities applied in FY2013. Note that the LTIP awards granted in a year do not normally vest until the third anniversary of the date of grant, and the projected value is based on the face value at award rather than vesting (i.e. the scenarios exclude the impact of any share price movement over the period).

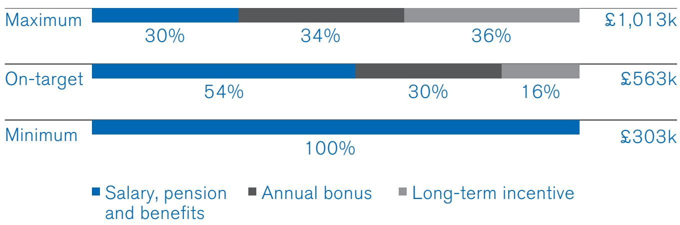
Mark Allan



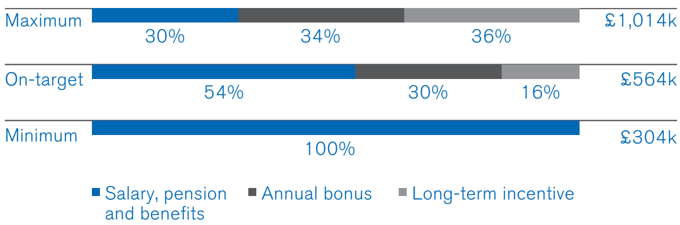
Joe Lister



Richard Simpson



Richard Smith



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

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

The 'maximum' scenario reflects fixed remuneration, plus full pay-out of all incentives.

Directors' Remuneration Policy continued

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 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 72. 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 73. 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 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. None of the Executive Directors currently hold such an appointment. Details of any external directorships held by Executive Directors, including associated fees, will be provided in future reports where applicable.

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, and as disclosed in last year's Remuneration Report, 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 plan year have been met. Any resulting bonus will be pro-rated 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 2013.

Remuneration Committee membership in 2013

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. As of 31 December 2013, the Remuneration Committee comprised five independent Non-Executive Directors:

- Richard Walker (Committee Chairman)
- Phil White
- Sir Tim Wilson
- Manjit Wolstenholme
- Andrew Jones.

In addition, certain Executives, including Mark Allan (Chief Executive), are, from time to time, invited to attend meetings of the Committee. Nicola Yates (former Group HR Director) also attended three meetings during the year prior to her departure from the Company during 2013. No individuals are involved in decisions relating to their own remuneration. The Remuneration Committee met five times during the year and details of members' attendance at meetings are provided in the corporate governance section on page 57.

Key activities of the Remuneration Committee in 2013 were as follows:

- Review of executive remuneration and Department for Business, Innovation and Skills proposals on executive pay
- Considered remuneration market trends and corporate governance developments
- Conducted a benchmarking exercise on Executive Directors' salaries and other benefits
- Consulted with major shareholders on executive remuneration
- Reviewed and approved the Executive Directors' performance against 2013 annual objectives and determined the bonuses payable
- Approved Share Awards for 2013
- Reviewed and approved salary increases for the Executive Directors and senior management for 2014
- Determined the Executive Directors bonus and LTIP performance targets for 2014 in line with the Company's strategic plan
- Reviewed and approved the Chairman's fee
- Reviewed the revised remuneration reporting regulations and prepared the Directors' Remuneration Report.

Advisors

Kepler Associates ('Kepler') was originally appointed by the Committee in 2010 as its executive remuneration advisor and was retained during the most recent financial year. The Committee undertakes due diligence periodically to ensure 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 2013 Kepler provided independent advice on Remuneration Policy and the external remuneration environment; salary benchmarking data; and performance testing for long-term incentive plans. Kepler reports directly to the Chairman of the Remuneration Committee and does not advise the Company on any other issues. Their total fees for the provision of remuneration services in 2013 were £69,865 on the basis of time and materials.

Summary of shareholder voting at the 2013 AGM

The following table shows the results of the advisory vote on the 2012 Remuneration Report at the 2013 AGM:

	Total number of votes	% of votes cast
For (including discretionary)	128,121,060	99.79 %
Against	269,669	0.21%
Total votes cast (excluding withheld votes)	128,390,729	100.0%
Votes withheld	53,395	0.04%
Total votes cast (including withheld votes)	128,444,124	

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 2013 and the prior year:

	M C Allan		J J Lister		R C Simpson		R S Smith	
	2013 £	2012 £	**2013 £**	2012 £	**2013 £**	2012 £	**2013 £**	2012 £
Salary	**411,396**	401,333	**260,313**	250,833	**234,791**	230,000	**234,791**	230,000
Taxable benefits[1]	**31,084**	31,855	**15,045**	14,929	**13,000**	13,696	**13,787**	13,000
Pension benefit[2]	**72,303**	70,533	**47,308**	50,167	**46,958**	46,000	**46,005**	46,000
Annual bonus[3]	**499,950**	367,939	**316,350**	232,815	**285,330**	190,900	**285,330**	209,990
LTIP[4]	**909,874**	122,094	**532,498**	69,768	**228,561**	82,814	**245,227**	–
Other[5]	**24,167**	–	**14,144**	3,750	**6,071**	–	**6,513**	–
Total	**1,948,774**	**993,754**	**1,185,658**	**622,262**	**814,711**	**563,410**	**831,653**	**498,990**

1 Taxable benefits consist primarily of a company car or car allowance and private healthcare insurance. Mark Allan is provided with a company car of £30,293 in value. Joe Lister, Richard Simpson and Richard Smith are entitled to company car allowances of £14,000, £13,000 and £13,000 respectively.

2 During the year, three of the Directors (Joe Lister, Richard Simpson and Richard Smith) participated in the UNITE Group Personal Pension Scheme, which is a money purchase scheme, in relation to whom the Company contributed around 20% of salary. The Company also paid Mark Allan a cash pension allowance of £72,303 (2012: £70,533).

3 Payment for performance during the year. For 2012 and 2013, Mark Allan and Joe Lister, having already reached their share ownership guidelines, received 100% of their bonus awards in cash. Richard Simpson and Richard Smith received 50% of their 2012 and 2013 bonus awards by way of a deferred allocation of shares through the Company's ESOT. See following sections for further details.

4 LTIP awards granted prior to 2011 were partially based on a TSR performance measure which ran for three years from the grant date (typically April to April). In order to allow better comparability going forward, the figure for 2012 represents the value of the 2010 award which was substantially, but not fully, completed by the end of the 2012 financial year. 2010 awards are valued using the market price at the date of vesting (12 April 2013) of 324.2p. For the 2011 awards, the market price on the date of vesting is currently unknown; the value is estimated using the average market value over the last quarter of 2013 of 397.2p. 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 2011 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 2013 and the prior year:

	Base fee		Committee fees		SID fee		Total	
	2013 £	2012 £	**2013 £**	2012 £	**2013 £**	2012 £	**2013 £**	2012 £
P M White	**118,000**	118,000	**–**	–	**–**	–	**118,000**	118,000
S R H Beevor[1]	**15,449**	41,000	**2,581**	6,850	**1,790**	4,750	**19,820**	52,600
R S Walker	**41,000**	41,000	**10,566**	–	**–**	–	**51,566**	41,000
R J T Wilson	**41,000**	41,000	**6,000**	6,000	**–**	–	**47,000**	47,000
M K Wolstenholme	**41,000**	41,000	**8,500**	8,500	**3,166**	–	**52,666**	49,500
A Jones[2]	**37,583**	–	**–**	–	**–**	–	**37,583**	–
E McMeikan[3]	**–**	–	**–**	–	**–**	–	**–**	–

1 The fees paid to Stuart Beevor for 2013 relate to the period 1 January 2013 to 16 May 2013 when he stepped down from the Board. Stuart was replaced by Richard Walker as Chairman of the Remuneration Committee and by Manjit Wolstenholme as Senior Independent Director (SID).

2 The fees paid to Andrew Jones in 2013 relate to the period 1 February 2013 (when he joined the Board) to 31 December 2013.

3 Elizabeth McMeikan joined the Board on 1 February 2014.

Incentive outcomes for the year ended 31 December 2013 (audited)

Performance Related Annual Bonus in respect of 2013 performance

The 2013 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 2013 reflect corporate bonuses of 100.9% of base salary. After applying individual multipliers, actual performance related bonus payments awarded to the Executive Directors were 121% of their respective base salaries (and around 84% of their maximum bonus opportunities). Further details, including the targets set and performance against each of the metrics, are provided the tables below:

Corporate element outcomes

			Original performance targets					
	Measure	Weighting	'Threshold' 50% of salary	'Target' 70% of salary	100% of salary	'Stretch' 120% of salary	Actual	Vest (% salary)
Financial	Adjusted earnings	25.0%	£18.5m	£19.9m	£22.0m	£23.4m	£23.1m	28.9%
	NAV per share (incl. dividends)	25.0%	374p	381p	391p	398p	387p	22.0%
	Operating cash flow	12.5%	£13.9m	£14.9m	£16.5m	£19.8m	£15.3m	9.7%
	LTV gearing	12.5%	50%	49%	48%	47%	48.6%	10.3%
Non-financial		25.0%	65	67	70	72	72	30.0%
Total corporate vesting (sum product of weighting and vest %)								100.9%

Individual element outcomes

Executive	Achievements during the year	Personal multiplier
M C Allan	▪ Exceptional performance in meeting or exceeding all Group objectives ▪ Successful development of Group long-term strategic plan ▪ Strong management in establishing brand identity though development of 'Home for Success' programme	1.2x
J J Lister	▪ Exceptional performance in ensuring delivery of finance-related objectives and capital operating guidelines; ▪ Refinancing activities delivered significantly ahead of plan ▪ Successful establishment of longer-term capital strategy ▪ Continued development of Group finance function	1.2x
R C Simpson	▪ Excellent performance in delivering business unit objectives, particularly NAV, gearing and safety targets ▪ Successful leadership in updating and integrating the Property business strategic plan ▪ Successful delivery of development pipeline, including rapid mobilisation of regional capability	1.2x
R S Smith	▪ Strong delivery against Operations business objectives ▪ Successful update of the Operations strategic plan and mobilisation of 'Home for Success' programme ▪ Successful delivery of efficiency savings coupled with marked improvements in customer service scores	1.2x

Overall bonus outcomes

Executive	Corporate vesting	Personal multiplier	Overall bonus outcome (% salary)	Overall bonus outcome (% of maximum)	Overall bonus outcome £
M C Allan	100.9%	1.2x	121%	84%	£499,950
J J Lister		1.2x	121%	84%	£316,350
R C Simpson		1.2x	121%	84%	£285,330
R S Smith		1.2x	121%	84%	£285,330

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

During the year, UNITE raised £50 million through a successful placing of new shares. Following the placing, the Remuneration Committee evaluated the potential impact on the outcomes of the Performance Related Annual Bonus and LTIP in respect of 2013 performance. The Committee concluded that the placing would, in the short term, lead to:

- A dilution of NAV per share due to the placing price being below NAV and the lag factor before proceed deployment
- An increase in NPC of £1 million as a result of using the cash to repay debt and save interest costs
- A corresponding improvement in operating cash flow, and
- A reduction in see-through LTV as a result of the lower level of net debt.

The impact of the placing on the Performance Related Annual Bonus and LTIP outcomes in respect of 2013 performance was estimated to contribute a small increase in total remuneration (in the order of 3% to 5% of salary for Executive Directors). Following careful consideration, the Committee determined that no changes would be made to the corporate element of Performance Related Annual Bonus as the impact would be felt by a broader participant population than the Executive Directors. However, amongst other factors, the Committee also considered the impact of the placing when adjudicating the personal performance multiplier for Executive Directors. The Committee is satisfied that the overall bonus outcomes detailed above are a fair reflection of each individual's performance during the year.

2010 LTIP vesting (vested on performance to 12 April 2013)

Long-term incentive awards in 2010 were made under the 2005 LTIP. For Mark Allan and Joe Lister, vesting of awards was dependent on two equally-weighted measures over a three-year performance period; actual net asset value (NAV) and TSR relative to the constituents of the FTSE 350 Real Estate (Super Sector) Index. For Richard Simpson, who was not an Executive Director at the time the awards were granted, an additional performance measure – net portfolio contribution (NPC) in 2012 – applied to one-third of the awards, with NAV and relative TSR also accounting for one-third of the award each. There were no retest provisions under any of the awards. Further details, including vesting schedules and performance against each of the metrics is provided the table below:

Measure	Weighting: M C Allan J J Lister	Weighting: R C Simpson	Targets	Outcome	Vest %
NAV	50%	33%	0% vesting below 311.2 pence per share 30% vesting for 311.2 pence per share 100% vesting for 431.5 pence per share or more Straight-line vesting between these points	350 pence per share	52.6%
NPC in 2012	–	33%	0% vesting below £15 million 30% vesting for £15 million 100% vesting for £17.4 million or more Straight-line vesting between these points	£19.1 million	100%
TSR relative to the constituents of the FTSE 350 Real Estate Supersector Index	50%	33%	0% vesting below median 30% vesting for performance in line with median 100% vesting for performance in line with 75 centile Straight-line vesting between these points	13th out of 18 companies	0%
Total LTIP vesting (sum product of weighting and vest %)				M C Allan J J Lister	26.3%
				R C Simpson	50.9%

Annual Report on Remuneration continued

The performance period for the NAV and NPC elements of the awards ended on 31 December 2012, while the performance period for the TSR element ran for three years from the date of grant, ending on 12 April 2013. To allow for comparability going forward, the Committee has elected to capture the vesting of the 2010 LTIP in the financial year ending 31 December 2012 for the purposes of the single total figure of remuneration, as follows:

Executive	Interests held	Vesting %*	Interests vesting*	Date vested	Market price on vesting	Value*
M C Allan	158,436	23.77%	37,660	12 April 2013	324.2p	£122,094
J J Lister	90,534		21,520			£69,768
R C Simpson	55,555	45.98%	25,544			£82,814

* Interests vesting and corresponding values are shown after deductions for employer national insurance contributions.

Each of the LTIP awards shown above was granted on 13 April 2010. The market price of the shares on that date was 243 pence. The aggregate gain made on these exercises was £274,675 of which £122,094 related to the gain of the highest paid Director. The market price of the shares at 31 December 2012 was 276.3 pence and the range during the year was 164 pence to 287.4 pence.

As mentioned above, the Company's placing during the year had a small positive impact on incentive outcomes for 2013. Following careful consideration, the Committee decided that in the interests of simplicity and transparency, no adjustment should be made to the 2010 LTIP formulaic outcome as it is a fair reflection of the Company's performance over the three-year performance period.

2011 LTIP vesting (vested on performance to 31 December 2013)

Awards in 2011 were made under the New LTIP, consisting of the UNITE Group plc 2011 Performance Share Plan and the UNITE Group plc 2011 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 Supersector Index. There was no retest provision. Further details, including vesting schedules and performance against each of the metrics is provided the table below:

Measure	Weighting	Targets	Outcome	Vest %
NAV	1/3	0% vesting below 7% p.a. (361 pence) 25% vesting for 7% p.a. (361 pence) 100% vesting for 13% p.a. (426 pence) or more Straight-line vesting between these points	382 pence	49.2%
NPC in 2013	1/3	0% vesting below £9 million 25% vesting for £9 million 100% vesting for £20 million or more Straight-line vesting between these points	£25.6m	100%
TSR relative to the constituents of the FTSE 350 Real Estate Supersector Index	1/3	0% vesting if Group underperforms the Index 25% vesting for matching the Index 100% vesting for outperforming the Index by 9% p.a. Straight-line vesting between these points	Index +10% p.a.	100%
Total LTIP vesting (sum product of weighting and vest %)				83.08%

The performance period for each of the elements ended on 31 December 2013. Two-thirds of the awards for Mark Allan and Joe Lister 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. Richard Simpson and Richard Smith were granted awards under the 2011 LTIP prior to their respective Board appointments and consequently all interests will vest on the third anniversary of the date of grant in October 2014.

<table>
<tr><th>Executive Director</th><th>Interests held</th><th>Vesting %</th><th>Interests vesting</th><th>Date vested</th><th>Assumed market price</th><th>Estimated value</th></tr>
<tr><td>M C Allan</td><td>275,725</td><td rowspan="4">83.08%</td><td>229,072</td><td rowspan="2">22 June 2014 (2/3)
22 June 2015 (1/3)</td><td rowspan="4">397.2p</td><td>£909,874</td></tr>
<tr><td>J J Lister</td><td>161,366</td><td>134,063</td><td>£532,498</td></tr>
<tr><td>R C Simpson</td><td>69,262</td><td>57,543</td><td rowspan="2">5 October 2014</td><td>£228,561</td></tr>
<tr><td>R S Smith</td><td>74,313</td><td>61,739</td><td>£245,227</td></tr>
</table>

In line with regulations, the value disclosed above and in the single total figure of remuneration table on page 77 captures the full number of interests vesting (i.e. excluding the one-year holding period). As the market price on the date of vesting is unknown at the time of reporting, the value is estimated using the average market value over the last quarter of 2013 of 397.2p. The actual value at vesting will be trued-up in the 2014 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 77, and amounted to £24,167, £14,144, £6,071 and £6,513 for Mr Allan, Mr Lister, Mr Simpson and Mr Smith respectively.

Percentage change in CEO remuneration

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

The CEO's remuneration includes base salary, taxable benefit and annual bonus. The pay for all other employees is calculated using the increase in the earnings of full-time employees for tax years 2012 and 2013. The analysis excludes part-time employees and is based on a consistent set of employees, i.e. the same individuals appear in the 2012 and 2013 populations. The decrease in taxable benefits for all employees primarily reflects a reduction in company car benefits (as more employees take up car allowances which are classified differently in place of company cars) and the shift to a more CO_2 efficient fleet.

	CEO			All employees
	2013 £	2012 £	% change 2012-2013	% change 2012-2013
Base salary	**411,396**	401,333	2.5%	2.5%
Taxable benefits	**31,084**	31,855	(2.4)%	(9.0)%
Annual bonus	**499,950**	367,939	35.9%	2.6%

Relative importance of spend on pay

The table below shows shareholder distributions (i.e. dividends and share buybacks) and total employee pay expenditure for the financial years ended 31 December 2012 and 31 December 2013, along with the percentage change in both.

	2013 £	2012 £m	% change 2012-2013
Total employee pay expenditure	**31.6**	34.9	(9)%
Distributions to shareholders	**8.5**	6.4	33%

The Directors are proposing a final dividend in respect of the financial year ended 31 December 2013 of 3.2 pence per ordinary share.

On 13 June 2013, UNITE raised c.£50 million through a successful placing of new shares.

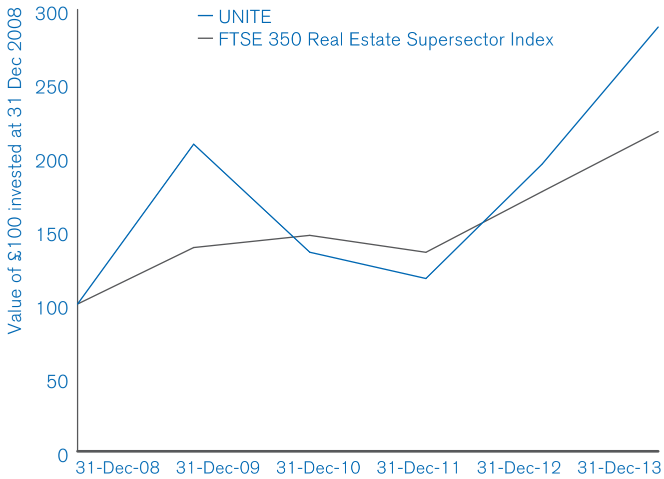
Employee remuneration excludes social security costs.

Review of past performance

The following graph charts the TSR of the Company and the FTSE 350 Real Estate 'Super Sector' Index over the five year period from 1 January 2009 to 31 December 2013. 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 hypothetic £100 holding over the five years to 31 December 2013.



	2009	2010	2011	2012	2013
CEO single figure of remuneration (£'000)	£665,313	£687,175	£1,475,577	£993,754	£1,948,774
STI award rates against maximum opportunity	42.0%	43.4%	75.8%	63.4%	84.0%
LTI award rates against maximum opportunity	0.0%	0.0%	82.4%	26.3%	83.1%

Where applicable, LTI award rates are shown before deductions for employer National Insurance contributions; single figure values are shown after such deductions.

Scheme interests awarded in 2013 (audited)

LTIP

In April 2013, Executive Directors were granted awards under the LTIP with a face value of c.150% of their respective 2013 salaries. The three-year performance period over which performance will be measured began on 1 January 2013 and will end on 31 December 2015. Two-thirds of each Executive's awards is eligible to vest on the third anniversary of the date of grant (i.e. 10 April 2016), 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 2013	196,814	321.0p	£631,773
J J Lister		125,482		£402,797
R C Simpson		113,432		£364,117
R S Smith		113,432		£364,117

1 Combination of HMRC approved options under the ESOS (3,134) and nil cost options under the PSP calculated using a share price of 319p, being the closing mid-market price on the day the awards were calculated.

As in 2012, vesting of the LTIP awards is dependent on three equally-weighted measures over a three-year performance period; NAV per share growth, net portfolio contribution and TSR outperformance of the FTSE 350 Real Estate Supersector Index. There is no retest provision. The performance range for NAV was reduced from 7-13% to 6-12% for the 2013 cycle as a result of lower development activity and a higher dividend pay-out ratio. 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
NAV	1/3	0% vesting below 6% p.a. 25% vesting for 6% p.a. 100% vesting for 12% p.a. or more Straight-line vesting between these points
NPC in 2015	1/3	0% vesting below £28 million 25% vesting for £28 million 100% vesting for £34 million or more Straight-line vesting between these points
TSR outperformance of the FTSE 350 Real Estate Supersector Index	1/3	0% vesting if Group underperforms the Index 25% vesting for matching the Index 100% vesting for outperforming the Index by 9% p.a. 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)

John Tonkiss ceased to be an employee and a Director of the Company by reason of redundancy on 31 December 2011. All outstanding share awards made to John Tonkiss have been treated in accordance with the terms of the relevant schemes. LTIP awards have been pro-rated for the period of employment, with performance measured at the end of the normal vesting period.

Details of awards vesting during the year are disclosed below:

Award cycle	Interests held	Vesting %	Period worked %	Interests vesting	Date vesting	Market price on vesting	Value
2010 LTIP	98,765	23.77%*	57.3%	13,443	12 April 2013	324.2p	£43,582
2011 LTIP	171,890	83.08%	33.3%	47,605	22 June 2014 (2/3) 22 June 2015 (1/3)	397.2p**	£189,087**

* Interests vesting and corresponding values are shown after deductions for employer National Insurance contributions.

** 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 2013 of 397.2p.

Implementation of Executive Director Remuneration Policy for 2014

Base salary

Market positioning of base salary is approached on an individual basis, taking account of advice received from the Committee's independent advisors 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 2014:

Executive Director	Base salary from 1 March 2013 to 28 February 2014	Base salary from 1 March 2014 to 28 February 2015	Percentage increase
M C Allan	£413,075	£423,400	2.5%
J J Lister	£261,375	£267,900	2.5%
R C Simpson	£235,750	£241,650	2.5%
R S Smith	£235,750	£241,650	2.5%

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

Annual Report on Remuneration continued

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 2014 financial year will operate on the same basis as in 2013. The Committee has approved a maximum bonus opportunity for each Executive of 144% of salary, consisting of a maximum of 120% of salary under the 'corporate' element and a maximum individual multiplier of 1.2x.

For 2014, 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. Proposed target levels have been set to be challenging relative to the 2014 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 2014 Directors' Remuneration Report.

	Measure	Weighting
Financial (75%)	Adjusted EPS	25.0%
	Total Return per share	25.0%
	Operating cash flow	12.5%
	LTV gearing	12.5%
Non-financial (25%)	Customer satisfaction	25.0%

LTIP

For 2014, the LTIP will continue to operate on the same basis as in the 2013 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
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	1/3	0% vesting below 8.5% p.a. 25% vesting for 8.5% p.a. 100% vesting for 14.5% p.a. or more Straight-line vesting between these points
TSR outperformance of the FTSE 350 Real Estate Supersector Index	1/3	0% vesting if Group underperforms the Index 25% vesting for matching the Index 100% vesting for outperforming the Index by 9% p.a. 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 2014 annual report on remuneration.

Implementation of Non-Executive Director Remuneration Policy for 2014

Chairman and Non-Executive Director fees

In November 2013 the Board undertook its biennial review of Non-Executive Director fees. Following consideration of actual and proposed salary increases across the Group, the increase in time commitment resulting from the growth of the Company and indicative fee increases at sector and FTSE comparators, the Board determined that the basic fee should be increased from £41,000 p.a. to £43,000 p.a. and that additional fees should be increased by a similar rate. In the case of the Remuneration Committee Chair, it was determined that the time commitment and responsibilities warranted a fee increase to bring such fee in line with the Chair of the Audit Committee. The Committee, in considering similar factors, determined that the fee payable to the Chairman of the Board should be increased from £118,000 p.a. to £124,000 p.a. A summary of the fee increases, which are effective 1 January 2014, is set out in the table below. Fee levels will be subject to annual review going forward.

Position	2012/13 fees	2014 fees
Base fees		
Chairman	£118,000	£124,000
Non-Executive Director	£41,000	£43,000
Additional fees		
Senior Independent Director	£4,750	£5,000
Audit Committee Chair	£8,500	£8,925
Remuneration Committee Chair	£6,850	£8,925
Nomination Committee Chair	£6,000	£6,300
Health& Safety Committee Chair[1]	£6,000	£6,300

[1] 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 2013 is set out below.

None of the Directors has a beneficial interest in the shares of any other Group company. Since 31 December 2013, there have been no changes in the Directors' interests in shares.

Details of Directors' share options (including nil cost options awarded pursuant to the 2011 LTIP) are set out in the tables below.

	Ordinary shares of 25p each at 31 December 2013	Ordinary shares of 25p each at 31 December 2012
M C Allan	**429,397**	380,287
J J Lister	**269,862**	245,382
R C Simpson	**67,639**	43,718
R S Smith	**4,685**	–
P M White	**10,000**	10,000
R S Walker	**10,000**	10,000
R J T Wilson	**5,730**	5,730
M J Wolstenholme	**7,300**	7,300
A Jones	**–**	–
E McMeikan	**–**	–

Share price information

As at 31 December 2013 the middle market price for ordinary shares in the Company was 402.6 pence per share. During the course of the year, the market price of the Company's shares ranged from 272.1 pence to 408.5 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 2013:

	Shares held			Options held			
	Owned outright or vested	Vested but subject to holding period[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	429,397	229,072	526,761	–	200%	419%	Yes
J J Lister	269,862	134,063	335,758	58,662	150%	416%	Yes
R C Simpson	67,639	57,543	272,489	–	150%	116%	No
R S Smith	4,685	61,739	272,489	–	150%	8%	No
P M White	10,000					34%	
R S Walker	10,000					98%	
R J T Wilson	5,730					56%	
M J Wolstenholme	7,300					72%	
A Jones	–					0%	
E McMeikan	–					0%	

1 Awards vested under the 2011 LTIP.
2 Based on share price as at 31 December 2013 of 402.6p.

Directors' interests in shares and options under UNITE long-term incentives (audited)

Share options

Executive	As at 31.12.12	Granted during the year	Exercised during the year*	Lapsed during the year	As at 31.12.13	Exercise price	Normal exercise dates
J J Lister	3,154	–	3,154	–	–	158.5p	25.09.2006 – 24.09.2013
	5,235	–	5,235	–	–	191.0p	04.05.2007 – 03.05.2014
	58,662	–	–	–	58,662	232.5p	16.09.2007 – 15.09.2014

* On the date of exercise (24 September 2013), the closing mid-market share price was 382.0p.

The highest, lowest and closing share prices for 2013 are shown above.

All options referred to in the table above were granted pursuant to the Unapproved Scheme. All options were granted for nil consideration. Vesting of half the options granted prior to 2004 under the Unapproved Scheme is based on the TSR of the Company against companies included in the FTSE Small Companies Index (excluding investment trusts) over the three-year period from the date of grant. Vesting of the other half is based on the Company's NAV growth exceeding the average NAV growth of companies included in the FTSE Small Companies Index (excluding investment trusts) over the three-year period from the date of grant. Options granted under the Unapproved Scheme after 1 January 2004 are subject to performance criteria based solely on TSR against companies included in the FTSE Small Companies Index (excluding investments trusts).

Executive	Interests held at 01.01.13	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 31.12.13 (ordinary shares of 25p each in the Company)	Period of qualifying conditions
M C Allan	158,436		243.0p	41,650*	116,786	–	14.04.10 – 14.04.13
	275,725		213.8p	–	–	275,725	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
J J Lister	90,534		243.0p	23,799*	66,735	–	14.04.10 – 14.04.13
	161,366		213.8p	–	–	161,366	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
R C Simpson	55,555		243.0p	28,254*	27,301	–	14.04.10 – 14.04.13
	69,262		156.8p	–	–	69,262	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
R S Smith	74,313		156.8p	–	–	74,313	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

* The number of shares transferred to each Director after deductions for income tax and all National Insurance liabilities was 19,960, 11,406 and 13,538 to Mark Allan, Joe Lister and Richard Simpson respectively. Details of the qualifying performance conditions in relation to the above referred to awards made in 2010 (under the 2005 LTIP), and in 2011 and in 2013 (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 2012 awards were set out in the 2012 Directors' Remuneration Report.

The awards made under the 2005 LTIP took the form of restricted share awards; the awards made in 2011 to Mark Allan and Joe Lister took the form of nil cost options under the PSP, whilst the awards made in 2011 to Richard Simpson and Richard Smith and each of the awards made in 2012 and 2013 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	**2013 £**	2012 £
M C Allan	**318,651**	371,789
J J Lister	**190,878**	197,504
R C Simpson	**143,513**	131,312
R S Smith	**121,510**	73,715

Directors' Report

As at 6 March 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
FIL Limited/FMR LLC	9.05
Old Mutual Asset Management Limited	6.00
Lloyds Banking Group plc	5.04
BlackRock Inc.	5.03
Royal London Asset Management Limited	4.60
Franklin Resources Inc.	4.39
APG Algemene Pensioen Groep N.V.	4.30
Aberforth Partners	3.54
Legal & General Investment Management Limited	3.35
Norges Bank Investment Management	3.12
Principal Financial Group	3.00

Share capital

At the date of this report, there are 176,658,479 ordinary shares of 25 pence each in issue, all of which are fully paid-up and quoted on the London Stock Exchange.

During the year, a total of 72,797 ordinary shares of 25 pence each were allotted and issued pursuant to the exercise of options under The UNITE Group plc Savings Related Share Option Scheme (7,688 at a price of 138.5 pence per share, 51,919 at a price of 162 pence per share and 13,190 at a price of 221.5 pence per share). In addition, a total of 21,753 ordinary shares of 25 pence each were allotted and issued pursuant to the exercise of options under the Approved Scheme (14,874 at a price of 156.8 pence per share, 6,452 at a price of 185.5 pence per share and 427 at a price of 319 pence per share) and a total of 101,932 ordinary shares of 25 pence each were allotted and issued pursuant to the exercise of options under the Unapproved Scheme (16,227 at a price of 158.5 pence per share, 35,705 at a price of 191 pence per share and 50,000 at a price of 232.5 pence per share).

Further, 16,000,000 ordinary shares of 25 pence each were allotted and issued pursuant to the share placing which took place during June 2013.

In October 2013, UNITE Jersey Issuer Limited issued £90 million of convertible bonds guaranteed by the Company to contribute to the funding of the Group's development pipeline. The convertible bonds have a coupon of 2.5% per annum and are convertible at the option of the holder at any time (subject to certain conditions) into fully paid ordinary shares of the Company. The initial conversion price has been set at 509.73 pence per ordinary share resulting in a requirement to issue up to 17,656,406 ordinary shares.

On the date of this report, the Company announced a Firm Placing and Placing and Open Offer of 24,500,000 ordinary shares of 25 pence. This Firm Placing and Placing and Open Offer is anticipated to close on 24 March 2014 after which the enlarged share capital of the Company will be 201,158,479.

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 Disclosure and Transparency Rules, 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 referred to above (Share capital) 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 62 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 2013.

Other information incorporated by reference

The following information in the strategic report is incorporated into this Directors' report by reference:

The corporate governance statement on pages 50 to 87 and the Statement of Directors' responsibilities on page 90 are incorporated into this Directors' report by reference.

Management report

The 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 15 May 2014. Formal notice of the meeting is given on pages 135 to 138.

Resolution 14 proposes that KPMG LLP be appointed as the Company's auditor, following a decision to wind down the Company's current auditor, KPMG Audit Plc, as part of a KPMG internal reorganisation. Pursuant to section 519 of the Companies Act 2006, KPMG Audit Plc has informed the Company that it is not seeking reappointment and has provided a statutory statement of circumstances upon ceasing to hold office. In accordance with section 520 of the Companies Act 2006, a copy of this statement is set out below:

Dear Sirs

Statement to The UNITE Group plc (no. 03199160) on ceasing to hold office as auditors pursuant to section 519 of the Companies Act 2006

The circumstances connected with our ceasing to hold office are that our company, KPMG Audit Plc, has instigated an orderly wind down of business. KPMG LLP, an intermediate parent, will immediately be seeking appointment as statutory auditor.

We request that any correspondence in relation to this statement be sent to our registered office, 15 Canada Square, London, E14 5GL, marked for the attention of the Audit Regulation Department.

Yours faithfully
KPMG Audit Plc

The Company understands this change is administrative in nature and will not have any impact on audit processes or timelines. The Company further understands that KPMG LLP and KPMG Audit Plc are both assured entities under the KPMG group insurance arrangements and the proposed change from KPMG Audit Plc to KPMG LLP will have no effect on any limit within the insurance cover available. Consequently, the Company believes that the proposed change does not adversely affect the interests of shareholders.

In addition to the other ordinary business of the meeting, Resolution 16 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 £16,763,206.58 (representing approximately one-third of the issued share capital of the Company as at 31 March 2014). 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 £16,763,206.58, again representing approximately one third of the nominal value of the issued ordinary share capital of the Company as at 31 March 2014. This additional authority may only be applied to fully pre-emptive rights issues..

Resolution 17 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 £2,514,480.99 (representing approximately five per cent of the issued share capital of the Company as at 31 March 2014).

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 2013, shareholders authorised the calling of general meetings, other than an annual general meeting, on not less than 14 clear days' notice. Resolution 18 seeks the approval of shareholders to renew the authority to be able to call general meetings (other than an annual general meeting) on 14 clear days' notice. The flexibility offered by Resolution 18 will be used where, taking into account the circumstances, the Directors consider this appropriate in relation to the business of the meeting and in the interests of the Company and shareholders as a whole. The Company undertakes to meet the requirements for electronic voting under the Shareholders' Rights Regulations before calling a general meeting on 14 clear days' notice. If given, the approval will be effective until the Company's next annual general meeting, when it is intended that a similar resolution will be proposed.

By order of the Board

Christopher Szpojnarowicz
Company Secretary
6 March 2014

Directors' responsibilities

Statement of Directors' responsibilities in respect of the annual report and the financial statements

The Directors are responsible for preparing the Annual Report and Accounts and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period.

In preparing each of the Group and parent company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgments and estimates that are reasonable and prudent;
- State whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' report, Directors' Remuneration Report and corporate governance statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, the name of whom are set out on pages 52 and 53, confirms that to the best of his or her knowledge:

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

M C Allan
Director
6 March 2014

J J Lister
Director

Independent auditor's report to the members of the UNITE Group plc

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 2013 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 2013 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, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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 properties and investment properties under development (£863.1 million)
Refer to the Audit Committee Report and note 3.1for 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 reflected in the income statement of the Group. The valuation models applied are complex and require consideration of the existing market conditions, 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 (which are likely to require significant judgement).
- **Our response** – In this area our audit procedures included, among others, 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 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.

Deferred tax assets (£22.4 million)
Refer to the Audit Committee Report and note 2.6 for the accounting policy and financial disclosures.

- **The risk** – The Group has recognised deferred tax assets of £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 £9.6 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, among others, 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 deductions and the ability to offset projected tax profits against the brought forward losses. We also considered whether the Group's disclosures (see note 2.6) met the requirements of the relevant accounting standards.

Independent auditor's report to the members of the UNITE Group plc continued

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 £5 million. This has been determined with reference to a benchmark of Group total assets (of which it represents 0.5%) which we consider to be one of the principal considerations for members of the Company in assessing the financial performance of the Group.

We agreed with the audit committee to report to it all corrected and uncorrected misstatements we identified through our audit with a value in excess of £0.25 million, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

The Group consists of a number of components, all of which are accounted for at the Group's head office in Bristol. The Group audit team performed the audit of the all these components at the Group level as if it was a single aggregated set of financial information. The audit was performed using the materiality level set out above.

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.

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, or
- 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, or
- 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, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, set out in the Directors' Report, in relation to going concern, and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the 2010 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, 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/auditscopeukco2013a, 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 Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

06 March 2014

Introduction and table of contents

Whilst these financial statements are prepared in accordance with IFRS, the Board of Directors manage the business based on the adjusted results being net portfolio contribution (NPC), adjusted earnings and adjusted net asset value (NAV) which can be found in section 2. The adjusted results are also aligned with the European 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, adjusted profits and adjusted 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.

Consolidated income statement

For the year ended 31 December 2013

	Note	2013 £m	2012 £m
Rental income	2.4	81.0	79.4
Property sales and other income	2.4	20.6	135.2
Total revenue		**101.6**	**214.6**
Cost of sales		(41.8)	(145.2)
Operating expenses		(23.4)	(28.0)
Results from operating activities		36.4	41.4
Loss on disposal of property		(1.0)	(2.4)
Net valuation gains on property	3.1	35.4	29.8
Valuation gains recognised on transfer	3.1	–	49.7
Profit before net financing costs		**70.8**	**118.5**
Loan interest and similar charges	4.3	(19.3)	(16.0)
Mark to market changes in interest rate swaps	4.3	0.7	(7.6)
Finance costs	4.3	(18.6)	(23.6)
Finance income	4.3	15.7	1.0
Net financing costs	4.3	**(2.9)**	**(22.6)**
Share of joint venture profit	3.4b	9.2	30.3
Profit before tax		**77.1**	**126.2**
Tax	2.6	2.2	1.0
Profit for the year		**79.3**	**127.2**
Profit for the period attributable to			
Owners of the parent company	2.2b	78.0	**125.6**
Minority interest		1.3	**1.6**
		79.3	**127.2**
Earnings per share			
Basic	2.2b	46.0p	78.3p
Diluted	2.2b	46.0p	78.3p

Included above is £nil (2012: £49.7 million) of valuation gains not previously recognised on property transferred from current assets to non-current assets during the year.

Consolidated statement of comprehensive income

For the year ended 31 December 2013

	2013 £m	2012 £m
Profit for the period	**79.3**	**127.2**
Movements in effective hedges	0.7	0.6
Gains on hedging instruments transferred to income statement	–	2.5
Share of joint venture movements in effective hedges	3.6	2.7
Share of joint venture movement on hedging instruments transferred to income statement	2.9	–
Other comprehensive income for the period	7.2	5.8
Total comprehensive income for the period	**86.5**	**133.0**
Attributable to		
Owners of the parent company	84.9	131.4
Minority interest	1.6	1.6
	86.5	133.0

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 2013

	Note	2013 £m	2012 £m
Assets			
Investment property	3.1	767.6	762.8
Investment property under development	3.1	95.5	37.6
Investment in joint ventures	3.4b	237.2	194.8
Joint venture investment loans	3.4b	10.2	11.2
Other non-current assets	3.3	7.3	5.0
Deferred tax asset	2.6c	0.6	–
Total non-current assets		**1,118.4**	**1,011.4**
Properties under development	3.1	61.5	26.5
Inventories	3.2	3.2	1.7
Trade and other receivables	5.2	50.0	53.5
Cash and cash equivalents	5.1	43.2	75.4
Total current assets		**157.9**	**157.1**
Total assets		**1,276.3**	**1,168.5**
Liabilities			
Borrowings	4.1	(29.7)	(100.2)
Interest rate swaps	4.2	(2.0)	(0.7)
Trade and other payables	5.4	(85.2)	(82.0)
Provisions	2.5	–	(0.5)
Current tax creditor		(0.3)	(0.5)
Total current liabilities		**(117.2)**	**(183.9)**
Borrowings	4.1	(483.7)	(427.7)
Interest rate swaps	4.2	(3.4)	(23.0)
Provisions	2.5	–	(0.2)
Total non-current liabilities		**(487.1)**	**(450.9)**
Total liabilities		**(604.3)**	**(634.8)**
Net assets		**672.0**	**533.7**
Equity			
Issued share capital		44.2	40.1
Share premium		295.3	249.2
Merger reserve		40.2	40.2
Retained earnings		266.0	195.0
Hedging reserve		(1.8)	(8.7)
Equity portion of convertible instrument		9.4	–
Equity attributable to the owners of the parent company		**653.3**	**515.8**
Minority interest		18.7	17.9
Total equity		**672.0**	**533.7**

These financial statements were approved by the Board of Directors on 6 March 2014 and were signed on its behalf by:

M C Allan
Director

J J Lister
Director

Company balance sheet

At 31 December 2013

	Note	2013 £m	2012 £m
Assets			
Investments in subsidiaries	3.5a	323.8	228.4
Investments in joint ventures	3.5a	–	–
Total investments		323.8	228.4
Loan to Group undertaking	3.5a	179.9	90.0
Joint venture investment loan	3.5a	–	–
Total non-current assets		**503.7**	**318.4**
Amounts due from Group undertakings	5.2	393.5	321.5
Cash and cash equivalents	5.1	–	–
Total current assets		**393.5**	**321.5**
Total assets		**897.2**	**639.9**
Current liabilities			
Borrowings	4.1	(4.9)	(1.2)
Amounts due to Group undertakings	5.4	(59.4)	(29.7)
Other payables	5.4	(3.0)	(3.2)
Total current liabilities		**(67.3)**	**(34.1)**
Borrowings	4.1	(169.0)	(90.0)
Total non-current liabilities		**(169.0)**	**(90.0)**
Total liabilities		**(236.3)**	**(124.1)**
Net assets		**660.9**	**515.8**
Equity			
Issued share capital		44.2	40.1
Share premium		295.3	249.2
Merger reserve		40.2	40.2
Retained earnings		13.7	23.6
Revaluation reserve		258.1	162.7
Equity portion of intercompany loan		9.4	–
Total equity		**660.9**	**515.8**

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

These financial statements were approved by the Board of Directors on 6 March 2014 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 2013

	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 period	–	–	–	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 period	–	–	–	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**

	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 2012	**40.1**	**249.0**	**40.2**	**72.8**	**(14.5)**	**–**	**387.6**	**17.1**	**404.7**
Profit for the period	–	–	–	125.6	–	–	125.6	1.6	127.2
Other comprehensive income for the period	–	–	–	–	5.8	–	5.8	–	5.8
Total comprehensive income for the period	–	–	–	125.6	5.8	–	131.4	1.6	133.0
Shares issued	–	0.2	–	–	–	–	0.2	–	0.2
Fair value of share based payments	–	–	–	1.5	–	–	1.5	–	1.5
Own shares acquired	–	–	–	(1.3)	–	–	(1.3)	–	(1.3)
Dividends paid to owners of the parent company	–	–	–	(3.6)	–	–	(3.6)	–	(3.6)
Dividends to minority interest	–	–	–	–	–	–	–	(0.8)	(0.8)
At 31 December 2012	**40.1**	**249.2**	**40.2**	**195.0**	**(8.7)**	**–**	**515.8**	**17.9**	**533.7**

Company statement of changes in shareholders' equity

At 31 December 2013

	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 period	–	–	–	(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**

	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 2012	**40.1**	**249.0**	**40.2**	**25.4**	**48.8**	**–**	**403.5**
Loss for the period	–	–	–	(0.7)	–	–	(0.7)
Transfer on sale of joint venture	–	–	–	2.5	(2.5)	–	–
Revaluation of investments in subsidiaries	–	–	–	–	116.4	–	116.4
Shares issued	–	0.2	–	–	–	–	0.2
Dividends to shareholders	–	–	–	(3.6)	–	–	(3.6)
At 31 December 2012	**40.1**	**249.2**	**40.2**	**23.6**	**162.7**	**–**	**515.8**

Statements of cash flows

For the year ended 31 December 2013

	Note	Group 2013 £m	Group 2012 £m	Company 2013 £m	Company 2012 £m
Cash flows from operating activities	5.1	**5.9**	**58.4**	**(2.5)**	**(2.4)**
Cash flows from taxation		**(0.7)**	**(0.9)**	–	–
Investing activities					
Proceeds from sale of investment property		11.8	27.5	–	–
Payments to/on behalf of subsidiaries		–	–	(84.9)	(13.2)
Payments from subsidiaries		–	–	42.6	14.1
Repayment received of joint venture investment loan		–	–	–	3.9
Loan to subsidiaries		–	–	(89.9)	(90.0)
Loan to joint ventures		(1.4)	–	–	–
Dividends received		9.9	9.6	–	–
Interest received		0.3	0.2	6.8	–
Investment in joint ventures		(11.8)	–	–	–
Acquisition of intangible assets		(2.2)	(1.6)	–	–
Acquisition of property		(38.4)	(49.5)	–	–
Acquisition of plant and equipment		(2.3)	(0.2)	–	–
Cash flows from investing activities		**(34.1)**	**(14.0)**	**(125.4)**	**(85.2)**
Financing activities					
Total interest paid		(24.2)	(21.1)	(6.9)	(0.3)
Interest capitalised into property under development included in cash flows from operating activities		3.2	5.1	–	–
Interest paid in respect of financing activities		(21.0)	(16.0)	(6.9)	(0.3)
Ineffective swap payments		(16.7)	(18.8)	–	–
Proceeds from the issue of share capital		59.6	0.2	50.2	0.2
Payments to acquire own shares		(0.6)	(1.3)	–	–
Proceeds from non-current borrowings		149.8	291.3	88.4	90.0
Repayment of borrowings		(166.1)	(235.9)	–	–
Dividends paid to the owners of the parent company		(7.5)	(3.6)	(7.5)	(3.6)
Dividends paid to minority interest		(0.8)	(0.8)	–	–
Cash flows from financing activities		**(3.3)**	**15.1**	**124.2**	**86.3**
Net (decrease)/increase in cash and cash equivalents		**(32.2)**	**58.6**	**(3.7)**	**(1.3)**
Cash and cash equivalents at start of year		75.4	16.8	(1.2)	0.1
Cash and cash equivalents at end of year	5.1	**43.2**	**75.4**	**(4.9)**	**(1.2)**

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.

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 24 to 49. In addition, section 4 of these notes to the financial statements includes the Group's objectives, policies and processes for managing its capital; details of its borrowings and interest rate swaps; and in note 5.3 its exposure to credit risk.

The Group has prepared cash flow projections until the end of 2015. Following the significant level of financing activity that was completed during 2012 and 2013, the Group has significant levels of cash headroom. The Group has two facilities maturing in the second half of 2015 and plans to initiate discussions with banks about their renewal around twelve months before the maturity dates. The Group has historically maintained positive relationships with its lending banks and has always secured new facilities before maturity dates and remained within its covenant levels. The Group is in full compliance with its covenants at 31 December 2013 as set out on page 39. 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 land is acquired or build contracts 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, interest rate swaps and land and buildings included in property, plant and equipment 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 the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account. 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.

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

The following Adopted IFRSs have been issued but have not been applied by the Group in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- 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 are all mandatory for years commencing on or after 1 January 2014. These are part of a new suite of standards on consolidation and related standards, replacing the existing accounting for subsidiaries and joint ventures (now joint arrangements), and making limited amendments in relation to associates.
- Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32 is mandatory for years commencing on or after 1 January 2014 and clarifies the offsetting criteria for assets and liabilities.
- Continuing hedge accounting after derivative novations – Amendments to IAS 39 is effective for years commencing on or after 1 January 2014 and allows an entity not to discontinue hedge accounting where there has been a swap novation.

Section 1: Basis of preparation continued

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 property and properties under development (note 3.1)
- Taxation (note 2.6)
- Valuation of interest rate swaps (note 4.2).

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 adjusted net asset value (NAV) per share. Net portfolio contribution (NPC) 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. The Group's adjusted earnings and net asset value are also aligned with the European Public Real Estate Association (EPRA) best practice recommendations.

EPRA performance measures

	Note	2013 £m	2012 £m
EPRA earnings		30.6m	15.9m
EPRA earnings per share (pence)	2.2b	18.0p	9.9p
EPRA NAV	2.3c	681.6m	566.5m
EPRA NAV per share (pence)		382p	350p
EPRA NNNAV	2.3c	665.5m	523.0m
EPRA NNNAV per share (pence)		373p	323p

2.1 Segmental information

The Board of Directors monitor the business along two activity lines. The reportable segments for the years ended 31 December 2013 and 31 December 2012 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.

a) Operations

The Operations business 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. NPC is the key indicator which is used by the Board to manage the Operations business. The segmental result is outlined below.

2013

	UNITE	Share of joint ventures						Group on see-through basis
	Total £m	USAF £m	UCC £m	LSAV £m	OCB £m	USV £m	Total £m	Total £m
Rental income	81.0	19.1	8.4	2.1	2.8	–	32.4	113.4
Property operating expenses	(25.1)	(5.5)	(1.0)	(0.4)	(0.4)	–	(7.3)	(32.4)
Net operating income	**55.9**	**13.6**	**7.4**	**1.7**	**2.4**	**–**	**25.1**	**81.0**
Management fees	13.7	(1.4)	(1.1)	(0.3)	(0.3)	–	(3.1)	10.6
Operating expenses	(18.5)	(0.2)	(0.1)	(0.1)	(0.1)	–	(0.5)	(19.0)
	51.1	12.0	6.2	1.3	2.0	–	21.5	72.6
Operating lease rentals*	(13.7)	–	–	–	–	–	–	(13.7)
Net financing costs	(23.1)	(4.7)	(3.6)	(0.5)	(1.4)	–	(10.2)	(33.3)
Net portfolio contribution	**14.3**	**7.3**	**2.6**	**0.8**	**0.6**	**–**	**11.3**	**25.6**

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

* 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.

Section 2: Results for the year continued

2.1 Segmental information continued
2012

	UNITE	Share of joint ventures						Group on see-through basis
	Total £m	USAF £m	UCC £m	LSAV £m	OCB £m	USV £m	Total £m	Total £m
Rental income	79.4	18.8	9.4	0.3	3.3	0.2	32.0	111.4
Property operating expenses	(24.6)	(5.6)	(1.5)	–	(0.6)	–	(7.7)	(32.3)
Net operating income	**54.8**	**13.2**	**7.9**	**0.3**	**2.7**	**0.2**	**24.3**	**79.1**
Management fees	13.2	(1.4)	(1.2)	–	(0.3)	–	(2.9)	10.3
Operating expenses	(21.5)	(0.1)	–	(0.1)	(0.1)	–	(0.3)	(21.8)
	46.5	11.7	6.7	0.2	2.3	0.2	21.1	67.6
Operating lease rentals*	(12.8)	–	–	–	–	–	–	(12.8)
Net financing costs	(24.7)	(5.3)	(3.8)	(0.1)	(1.7)	(0.1)	(11.0)	(35.7)
Net portfolio contribution	**9.0**	**6.4**	**2.9**	**0.1**	**0.6**	**0.1**	**10.1**	**19.1**

Included in the UNITE total above is rental income of £18.5 million and property operating expenses of £5.5 million relating to sale and leaseback properties.

* 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.

b) Property

The Group's Property business undertakes the acquisition and development of properties. This included the manufacture and sale of modular building components in the first half of 2012 prior to the business closure, through UNITE Modular Solutions Limited, 'UMS'. The Property segment's revenue comprises revenue from development management fees earned from joint ventures; and the sale of modules to third parties and joint ventures, as set out in note 2.4. The Property segmental result is set out below.

	2013 £m	2012 £m
Pre-contract, abortive and other costs	(3.3)	(3.7)
Property segment result	**(3.3)**	**(3.7)**

Section 2: Results for the year continued

2.1 Segmental information continued

c) Segmental contribution to NAV

The Board does not use balance sheet information split out by segment to monitor and manage the Group's activities. Instead the position of the Group is managed by reviewing the increases in EPRA NAV contributed by each segment during the period.

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

	Note	2013 £m	2012 £m
Operations			
Net portfolio contribution	2.1a	**25.6**	**19.1**
Property			
Rental growth		28.1	33.8
Specific property write downs		(0.7)	(6.1)
Disposals and acquisition costs		(2.8)	(1.4)
Capital expenditure and refurbishments		1.3	1.8
Rental property gains		25.9	28.1
Development property gains		24.1	23.7
Pre-contract and other development costs		(3.3)	(3.7)
Total property		**46.7**	**48.1**
Unallocated			
Shares issued		50.2	–
Dividends paid		(7.5)	(3.6)
Equity portion of convertible instruments		9.4	–
Share of monies received from Landsbanki		2.3	2.9
UCC promote fee		7.5	–
Swap losses and debt exit costs		(17.9)	(10.6)
LSAV set-up costs		–	(1.7)
Purchase of own shares		(0.6)	(1.3)
Other		(0.6)	(0.9)
Total unallocated		**42.8**	**(15.2)**
Total EPRA NAV movement in the period		**115.1**	**52.0**
Total EPRA NAV brought forward		566.5	514.5
Total EPRA NAV carried forward	2.3a	**681.6**	**566.5**

Section 2: Results for the year continued

2.2 Adjusted profit and EPS

In addition to the IFRS reporting measures, the Group reports adjusted profit on the basis recommended for real estate companies by EPRA, the European Public Real Estate Association.

a) EPRA earnings and reconciliation to IFRS

EPRA earnings exclude movements relating to changes in values of investment properties and interest rate swaps, which are included in the profit reported under IFRS. In addition a further adjusted profit is shown below to demonstrate the non-recurring impact of the UCC promote fee recognised in 2013. The adjusted profit reconciles to the profit reported under IFRS as follows:

	Note	2013 £m	2012 £m
Operations segment result – net portfolio contribution	2.1a	25.6	19.1
Property segment result	2.1b	(3.3)	(3.7)
Unallocated to segments		0.8	0.5
Adjusted profit pre UCC promote fee		**23.1**	**15.9**
UCC promote fee		7.5	–
EPRA earnings		**30.6**	**15.9**
Net valuation gains on investment property	3.1	35.4	29.8
Valuation gains realised on transfer of completed property	3.1	–	49.7
Property disposals and write downs		(1.9)	14.7
LSAV set up costs		–	(1.3)
Debt exit costs		(0.4)	–
Share of joint venture gains on investment property	3.4b	13.5	14.9
Share of joint venture property disposals and write downs		(0.1)	0.3
Share of joint venture LSAV set up costs		–	(0.4)
Share of joint venture debt exit costs	3.4b	(2.2)	–
Mark to market changes in interest rate swaps*	4.3	0.7	(7.6)
Interest rate swap payments on ineffective hedges*		4.4	9.0
Share of joint venture interest rate swaps charges	3.4b	(3.8)	(0.6)
Deferred tax relating to interest rate swap movement		2.1	1.6
Share of joint venture deferred tax credit	3.4b	–	0.4
Minority interest share of reconciling items**		(0.3)	(0.8)
Profit attributable to owners of the parent company		**78.0**	**125.6**

* Within IFRS reported profit, there is a £0.7 million profit (2012: £7.6 million loss) 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, £4.4 million (2012: £9.0 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 NPC (Operating segment result) in note 2.1a.

** 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.

Unallocated to segments includes share of joint venture amounts received from Landsbanki of £2.3 million (2012: £2.9 million), current tax charges of £0.4 million (2012: £0.4 million), deferred tax credit of £0.6 million (2012: £nil), contributions to the UNITE Foundation of £0.5 million (2012: £0.2 million) and share option fair value charges of £1.1 million (2012: £1.5 million).

Section 2: Results for the year continued

2.2 Adjusted profit and EPS continued

b) Earnings per share

EPS is the amount of post-tax profits attributable to each share. 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 adjusted EPS are calculated using EPRA earnings and adjusted profit as set out above.

The calculations of basic and adjusted EPS for the year ended 31 December 2013 are as follows:

	Note	2013 £m	2012 £m
Earnings			
Basic (and diluted)		78.0	125.6
EPRA	2.2a	30.6	15.9
Adjusted pre UCC promote fee	2.2a	23.1	15.9
Weighted average number of shares (thousands)			
Basic		169,561	160,319
Dilutive potential ordinary shares (share options)		255	136
Diluted		169,816	160,455

Earnings per share (pence)		
Basic	46.0p	78.3p
Diluted	46.0p	78.3p
EPRA EPS	**18.0p**	**9.9p**
Adjusted pre UCC promote fee	**13.6p**	**9.9p**

Movements in the weighted average number of shares have resulted from the placing in June 2013 and the issue of shares arising from the employee share based payment schemes.

The placing comprised 16,000,000 shares and gave rise to proceeds of £51.2 million, £49.9 million net of issue costs.

Excluded from the potential dilutive shares (share options) are 3,697,000 options in existence at 31 December 2013 (2012: 3,176,000) which do not affect the diluted weighted average number of shares.

2.3 Adjusted net assets and NAV per share

EPRA NAV excludes the mark to market valuation of swaps, deferred tax liabilities and recognises all properties at market value. This is the key performance measure that the Board uses to monitor and manage the performance of the Property segment.

a) EPRA net assets

	2013			2012		
	Wholly owned £m	Share of JVs £m	Total £m	Wholly owned £m	Share of JVs £m	Total £m
Investment properties	767.6	407.6	1,175.2	762.8	399.3	1,162.1
Completed properties (at market value)	–	–	–	–	–	–
Rental properties	767.6	407.6	1,175.2	762.8	399.3	1,162.1
Investment properties under development	95.5	15.1	110.6	37.6	0.2	37.8
Properties under development (at market value)	84.3	–	84.3	45.5	–	45.5
Development properties	179.8	15.1	194.9	83.1	0.2	83.3
Total property portfolio	**947.4**	**422.7**	**1,370.1**	**845.9**	**399.5**	**1,245.4**
Debt on properties (net of cash)	(470.2)	(195.9)	(666.1)	(452.6)	(195.1)	(647.7)
Other assets/(liabilities)	(24.4)	2.0	(22.4)	(23.1)	(8.1)	(31.2)
EPRA net assets	**452.8**	**228.8**	**681.6**	**370.2**	**196.3**	**566.5**
Loan-to-value (%)	**50**	**46**	**49**	**53**	**49**	**52**

Section 2: Results for the year continued

2.3 Adjusted net assets and NAV per share continued

b) Reconciliation to IFRS

EPRA NAV reconciles to NAV reported under IFRS and EPRA triple net asset value (NNNAV) as follows:

	Note	2013 £m	2012 £m
EPRA NAV	2.3a	**681.6**	**566.5**
Mark to market interest rate swaps		(5.5)	(31.7)
Valuation gain not recognised on property held at cost	3.1	(22.8)	(19.0)
Net asset value reported under IFRS		**653.3**	**515.8**
Recognise valuation gain on property held at cost		**22.8**	**19.0**
Mark to market of fixed rate debt		(10.6)	(11.8)
EPRA NNNAV		**665.5**	**523.0**

c) Net asset value per share

The Board regularly monitors the adjusted NAV attributable to its shareholders. NAV per share as at 31 December 2013 is calculated as follows:

	Note	2013 £m	2012 £m
Net assets			
Basic (as reported under IFRS on the balance sheet)	2.3b	653.3	515.8
EPRA (pre-dilution)	2.1c	681.6	566.5
EPRA diluted (takes into account the dilutive effect of all share options being exercised)		683.7	568.4
EPRA NNNAV (diluted)		667.6	524.9
Number of shares (thousands)			
Basic		176,658	160,461
Outstanding share options		2,457	2,111
Diluted		179,115	162,572
Net asset value per share (pence)			
Basic		370p	321p
Adjusted pre dilution		386p	353p
EPRA (fully diluted)		**382p**	**350p**
EPRA NNNAV (fully diluted)		**373p**	**323p**

Section 2: Results for the year continued

2.4. Revenue

The Group earns revenue from the following activities:

		Note	2013 £m	2012 £m
Rental income	Operations segment	2.1a	81.0	79.4
Management fees	Operations segment		11.2	10.9
Development revenue	Property segment		2.1	–
Manufacturing revenue	Property segment		–	12.5
Property sales	Unallocated		–	112.1
UCC promote fee	Unallocated		7.5	–
			101.8	214.9
Impact of minority interest on management fees			(0.2)	(0.2)
Impact of minority interest on property sales			–	(0.1)
Total revenue			**101.6**	**214.6**

The revenue above excludes the Group's share of revenue from joint ventures; this can be seen in note 2.1a.

Revenue has decreased because of the reduction in planned sales of completed property mitigated by an increase in rental income and the UCC promote fee receivable.

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.

Manufacturing revenue

Revenue from the sale of modules and related services is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. For modules this is on receipt of customer acceptance following manufacture and for related services as the service is provided.

Management and promote fees

Management and promote fees are recognised, in line with the management contracts, in the period to which they relate as services are provided. The Group can earn promote fees relative to criteria specified in the joint venture agreements.

2.5 Provisions for onerous contracts

	Current liability £m	Non-current liability £m	Total liability £m
At 1 January 2013	0.5	0.2	0.7
Provisions utilised in the year	(0.5)	(0.2)	(0.7)
At 31 December 2013	**–**	**–**	**–**

	Current liability £m	Non-current liability £m	Total liability £m
At 1 January 2012	6.3	4.7	11.0
Provisions utilised in the year	(5.8)	(4.5)	(10.3)
At 31 December 2012	**0.5**	**0.2**	**0.7**

Section 2: Results for the year continued

2.6 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 period 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.

a) Tax – income statement

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

	2013 £m	2012 £m
Income tax on UK rental income arising in non-UK companies	0.5	0.6
Current tax charge	**0.5**	**0.6**
Origination and reversal of temporary differences	(1.8)	(1.3)
Effect of change in tax rate	(0.3)	(0.3)
Recognition of previously unrecognised asset	(0.6)	–
Deferred tax charge/(credit)	**(2.7)**	**(1.6)**
Total tax credit in income statement	**(2.2)**	**(1.0)**

In order to understand how, in the income statement, a tax credit of £2.2 million arises on a profit before tax of £77.1 million, the taxation charge that would arise at the standard rate of UK corporation tax is reconciled to the actual tax charge as follows:

	2013 £m	2012 £m
Profit before tax	**77.1**	**126.2**
Income tax using the UK corporation tax rate of 23.3% (2012: 24.5%)	17.9	30.9
Effect of indexation on investment and development property	(3.0)	(3.3)
Non-deductible items	(6.9)	0.8
Effect of transferring property from current to non-current assets	–	(10.8)
Share of joint venture profit	–	(0.1)
Movement on unprovided deferred tax asset	(8.0)	(13.1)
Profits chargeable at lower rate	(0.1)	–
Effect of property disposals	(0.2)	(4.3)
Rate difference on deferred tax	(1.3)	(1.1)
Recognition of previously un-recognised deferred tax asset	(0.6)	–
Total tax credit in the income statement	**(2.2)**	**(1.0)**

b) Tax – other comprehensive income

Within other comprehensive income a tax charge totalling £0.3 million (2012: £0.8 million) has been recognised representing deferred tax. An analysis of this is included below in the deferred tax movement table.

Section 2: Results for the year continued

2.6 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:

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 held in current assets	–	–	–	–	–
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 liabilities	**–**	**–**	**(2.7)**	**2.1**	**(0.6)**

2012

	At 31 December 2011 £m	Transfers £m	(Credited) in income £m	Charged in equity £m	At 31 December 2012 £m
Investment property	8.8	–	7.1	–	15.9
Property held in current assets	(1.3)	–	1.3	–	–
Property, plant and machinery	(1.2)	–	0.5	–	(0.7)
Investments in joint ventures	7.6	–	(0.5)	–	7.1
Interest rate swaps	(8.0)	–	3.0	0.8	(4.2)
Interest rate swaps relating to joint ventures	(2.7)	–	–	0.8	(1.9)
Tax value of carried forward losses recognised	(3.2)	–	(13.0)	–	(16.2)
Net tax liabilities	**–**	**–**	**(1.6)**	**1.6**	**–**

A deferred tax asset of £9.6 million (2012: £20.0 million) in respect of losses of £47.9 million (2012: £86.9 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 three years.

A reduction in the UK corporation tax rate from 24% to 23% (effective 1 April 2013) was substantively enacted on 3 July 2012. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the Group's future current tax charge accordingly. The deferred tax asset at 31 December 2013 has been calculated based on the rates of 20% and 21% substantively enacted at the balance sheet date.

Company

Deferred tax has not been recognised on temporary timing differences of £51.6 million (2012: £44.1 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.

2.7 Audit fees

Disclosures in respect of fees paid to the auditors can be found in the Audit Committee Report, page 65.

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 adjusted 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 adjusted 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.

The Group also acquires land which it intends to develop. Land is held within inventories until planning permission is obtained, at which point it is transferred to investment property under development or properties under development.

Accounting policies
Properties held under operating leases are not included in assets, but the future payments due in respect of these properties are disclosed in note 4.6a.

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

Completed properties, properties under development and inventories are shown at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. All costs directly associated with the purchase and construction of a property, and all subsequent qualifying expenditure is capitalised.

The recognition of acquisitions and disposals of investment and other property occurs on unconditional exchange of contracts.

Borrowing costs are capitalised if they are directly attributable to the acquisition and construction of a property asset. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalisation of borrowing costs continues until the assets are substantially ready for their intended use but stops if development activities are suspended. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised. The capitalisation rate is arrived at by reference to the actual rate payable on borrowings for development purposes or, with regard to that part of the development cost financed out of general borrowings, to the average rate. During the year the average capitalisation rate used was 6.3% (2012: 5.9%).

Valuation process
The valuation 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 and Messrs Knight Frank, Chartered Surveyors were the valuers in the years ending 31 December 2013 and 2012.

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 yields 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 fair value movements over the period.

Section 3: Asset management continued

3.1 Wholly owned property assets continued

The movements in the carrying value of the Group's wholly owned property portfolio during the year ended 31 December 2013 were 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**

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 adjusted 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 2013 is as follows:

	Investment property £m	Investment property under development £m	Completed property £m	Property under development £m	Total £m
Carrying value at 31 December 2013 (above)	767.6	95.5	–	61.5	924.6
Valuation gains not recognised under IFRS but included in Adjusted 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

The movements in the carrying value of the Group's wholly owned property portfolio during the year ended 31 December 2012 were as follows:

2012

	Investment property £m	Investment property under development £m	Completed property £m	Property under development £m	Total £m
At 1 January 2012	396.2	–	198.7	135.2	730.1
Acquisitions	56.8	–	–	–	56.8
Cost capitalised	2.4	28.8	0.4	46.0	77.6
Interest capitalised	–	0.9	–	5.1	6.0
Transfer of completed property	263.6	–	(263.6)	–	–
Transfer from property under development	–	–	159.2	(159.2)	–
Transfer from work in progress	–	1.4	–	–	1.4
Disposals	(29.2)	–	(95.1)	–	(124.3)
Reversal of impairment/(impairment)	–	–	0.4	(0.6)	(0.2)
Valuation gains recognised on transfer of completed property	49.7	–	–	–	49.7
Valuation gains	30.5	6.5	–	–	37.0
Valuation losses	(7.2)	–	–	–	(7.2)
Net valuation gains	23.3	6.5	–	–	29.8
Carrying value at 31 December 2012	**762.8**	**37.6**	–	26.5	826.9

The fair value of the Group's wholly owned property portfolio at the year ended 31 December 2012 is as follows:

	Investment property £m	Investment property under development £m	Completed property £m	Property under development £m	Total £m
Carrying value at 31 December 2012 (above)	762.8	37.6	–	26.5	826.9
Valuation gains not recognised under IFRS but included in Adjusted NAV					
Brought forward	–	–	22.2	53.9	76.1
Transfer from property under development	–	–	49.4	(49.4)	–
Transfer of completed property	–	–	(49.7)	–	(49.7)
Disposals	–	–	(26.0)	–	(26.0)
Valuation gain in year	–	–	4.1	14.5	18.6
	–	–	–	19.0	19.0
Market value at 31 December 2012	**762.8**	**37.6**	**–**	**45.5**	**845.9**

During 2012 properties with a carrying value of £263.6 million and a fair value of £313.3 million were transferred from completed property to investment property. This resulted in the recognition of £49.7 million of previously unrecognised valuation gains.

Included within investment properties are £30.8 million (2012: £29.7 million) of assets held under a long leasehold and £11.3 million (2012: £12.7 million) of assets held under short leasehold.

Total interest capitalised in investment and development properties at 31 December 2013 was £37.9 million (2012: £32.1 million) on a cumulative basis. Total internal costs relating to manufacturing, construction and development costs of Group properties amount to £48.1 million at 31 December 2013 (2012: £46.7 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 adjusted 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.

Section 3: Asset management continued

3.1 Wholly owned property assets continued

Class of asset	2013 £m	2012 £m
London – rental properties	274.5	273.7
Major provincial – rental properties	332.5	328.7
Other provincial – rental properties	160.6	160.4
London – development properties	149.6	75.8
Major provincial – development properties	17.9	7.3
Other provincial – development properties	12.3	–
Market value	**947.4**	**845.9**

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)

	2013 £m	2012 £m
Opening fair value	845.9	806.2
Gains and losses recognised in income statement	35.4	29.6
Gains and losses not recognised on properties under development	3.8	18.6
Acquisitions	–	56.8
Capital Expenditure	75.1	85.0
Disposals	(12.8)	(150.3)
Closing fair value	**947.4**	**845.9**

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

	Fair value £m	Valuation technique	Unobservable inputs	Range	Weighted average
London – rental properties	274.5	Discounted cash flows	Net rental income (£ per week)	187 – 326	£220
			Estimated future rent (%)	1 – 3	3
			Discount rate (yield) (%)	6.15 – 6.50	6.24
Major provincial – rental properties	332.5	Discounted cash flows	Net rental income (£ per week)	93 – 135	£109
			Estimated future rent (%)	2 – 3	3
			Discount rate (yield) (%)	6.40 – 6.90	6.68
Other provincial – rental properties	160.6	Discounted cash flows	Net rental income (£ per week)	78 – 124	£106
			Estimated future rent (%)	2 – 3	3
			Discount rate (yield) (%)	6.40 – 8.40	6.83
London – development properties	149.6	Discounted cash flows	Estimated cost to complete (£m)	8.7m – 12.2m	10.9m
			Estimated future rent (%)	3	3
			Discount rate (yield) (%)	6.10 – 6.50	6.35
Major provincial – development properties	17.9	Discounted cash flows	Estimated cost to complete (£m)	22.9m	22.9m
			Estimated future rent (%)	3	3
			Discount rate (yield) (%)	6.25 – 7.00	6.64
Other provincial – development properties	12.3	Discounted cash flows	Estimated cost to complete (£m)	5.7m	5.7m
			Estimated future rent (%)	3	3
			Discount rate (yield) (%)	6.75	6.75
Fair value at 31 December 2013	**974.4**				

Section 3: Asset management continued

3.1 Wholly owned property assets continued

	Fair value	Valuation technique	Unobservable inputs	Range	Weighted average
London – rental properties	273.7	Discounted cash flows	Net rental income (£ per week)	181 – 317	£214
			Estimated future rent (%)	1 – 3	3
			Discount rate (yield) (%)	6.15 – 6.35	6.28
Major provincial – rental properties	328.7	Discounted cash flows	Net rental income (£ per week)	86 – 135	£106
			Estimated future rent (%)	2 – 3	3
			Discount rate (yield) (%)	6.40 – 7.25	6.80
Other provincial – rental properties	160.4	Discounted cash flows	Net rental income (£ per week)	73 – 119	£103
			Estimated future rent (%)	2 – 3	3
			Discount rate (yield) (%)	6.40 – 8.25	6.84
London – development properties	75.8	Discounted cash flows	Estimated cost to complete (£m)	27.7m – 43.0m	37.4m
			Estimated future rent (%)	3	3
			Discount rate (yield) (%)	6.50	6.50
Major provincial – development properties	7.3	Discounted cash flows	Estimated cost to complete (£m)	21.7m	21.7m
			Estimated future rent (%)	3	3
			Discount rate (yield) (%)	6.50 – 7.00	6.77
Fair value at 31 December 2012	**845.9**				

A decrease in net rental income, estimated future rents or occupancy will result in a decrease in the fair value, whereas a decrease in the discount rate (yield) or the estimated costs to complete will result in an increase in fair value. There are interrelationships between these rates as they are partially determined by market rate conditions.

3.2 Inventories

	2013 £m	2012 £m
Interests in land	–	0.6
Other stocks	3.2	1.1
Inventories	**3.2**	**1.7**

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

Section 3: Asset management continued

3.3 Other non-current assets

Accounting policies

Property, plant and equipment

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

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

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

Intangible assets

Intangible assets predominately comprise internally developed computer software which allows customers to book online and processes transactions within the sales cycle. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Expenditure on research activities is recognised in the income statement as an expense incurred. The assets are amortised on a straight-line basis over 4 to 5 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:

	2013			2012		
	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	7.7	17.5	25.2	19.8	19.5	39.3
Additions	2.3	2.2	4.5	0.2	1.6	1.8
Disposals	–	–	–	(12.3)	(3.6)	(15.9)
At 31 December	10.0	19.7	29.7	7.7	17.5	25.2
Depreciation, amortisation and impairment losses						
At 1 January	6.5	13.7	20.2	17.5	15.0	32.5
Depreciation/amortisation charge for the year	0.7	1.5	2.2	0.6	2.3	2.9
Disposals	–	–	–	(11.6)	(3.6)	(15.2)
At 31 December	7.2	15.2	22.4	6.5	13.7	20.2
Carrying value at 1 January	1.2	3.8	5.0	2.3	4.5	6.8
Carrying amount at 31 December	**2.8**	**4.5**	**7.3**	**1.2**	**3.8**	**5.0**

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.

The Group has four joint ventures:

Joint venture	Group's share of assets/results 2013 (2012)	Objective	Partner	Legal entity in which Group has interest
The UNITE UK Student Accommodation Fund (USAF)	18.9%* (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)	30% (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	UNITE Capital Cities Unit Trust, incorporated in Jersey
London Student Accommodation Venture (LSAV)	50% (50%)	Develop and operate student accommodation in London	GIC Real Estate Pte, Ltd Real estate investment vehicle of the Government of Singapore	LSAV Unit Trust, a Jersey Unit Trust and LSAV (Holdings) Ltd, incorporated in Jersey
OCB Property Holdings (OCB)	25% (25%)	Develop and operate three investment properties located in London	Oasis Capital Bank	OCB Property Holdings (Jersey) Ltd, incorporated in Jersey

* Part of the Group's interest is held through a subsidiary, USAF (Feeder) Guernsey Ltd, in which there is an external investor. A minority interest therefore occurs on consolidation of the Group's results representing the external investor's share of profits and assets relating to its investment in USAF. The ordinary shareholders of The UNITE Group plc are beneficially interested in 16.4% (2012: 16.4%) of USAF.

Section 3: Asset management continued

3.4 Investments in joint ventures (Group) continued

a) Net assets and results of the joint ventures

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

2013

	USAF £m		UCC £m		LSAV £m		OCB £m		Total £m	
	Gross	Share	Gross	Share	Gross	Share	Gross	Share	Gross	Share
Investment property	1,354.7	256.5	389.9	117.0	80.4	40.2	173.7	43.4	1,998.7	457.1
Cash	62.4	11.8	11.3	3.4	7.5	3.7	8.4	2.1	89.6	21.0
Debt	(645.5)	(122.2)	(223.1)	(66.9)	(32.2)	(16.1)	(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	0.3	–	0.9	0.5	0.2	–	13.2	2.8
Other current liabilities	(26.9)	(5.1)	(7.8)	(2.3)	(1.5)	(0.7)	(4.4)	(1.1)	(40.6)	(9.2)
	753.0	142.7	170.6	51.2	55.9	28.0	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**	**170.6**	**58.7**	**55.9**	**28.0**	**31.5**	**7.8**	**1,011.0**	**237.2**
Profit/(loss) for the period	**62.7**	**(0.8)**	**10.2**	**3.0**	**13.9**	**7.0**	**2.3**	**–**	**89.1**	**9.2**
Adjusted net assets	**756.5**	**124.5**	**170.6**	**58.7**	**55.1**	**27.6**	**72.3**	**18.0**	**1,054.5**	**228.8**

Share of USAF profit is significantly impacted by the unwinding of discounts on interest free loans made by the Group to the joint venture as disclosed in in note 3.4b.

2012

	USAF £m		UCC £m		LSAV £m		OCB £m		Total £m	
	Gross	Share	Gross	Share	Gross	Share	Gross	Share	Gross	Share
Investment property	1,320.1	250.0	381.2	114.4	49.8	24.9	174.7	43.7	1,925.8	433.0
Cash	50.1	9.5	12.6	3.8	2.5	1.3	7.8	1.9	73.0	16.5
Debt	(621.7)	(117.7)	(226.7)	(68.0)	(24.2)	(12.1)	(112.5)	(28.1)	(985.1)	(225.9)
Swap liabilities	(17.5)	(2.9)	(16.9)	(5.1)	(0.2)	(0.1)	(0.5)	(0.1)	(35.1)	(8.2)
Other current assets	1.6	0.3	0.3	0.1	0.1	0.1	0.2	0.1	2.2	0.6
Other current liabilities	(24.9)	(4.8)	(9.4)	(2.9)	(2.1)	(1.1)	(4.5)	(1.2)	(40.9)	(10.0)
	707.7	134.4	141.1	42.3	25.9	13.0	65.2	16.3	939.9	206.0
Investment loans	(3.2)	(3.2)	–	–	–	–	(32.1)	(8.0)	(35.3)	(11.2)
Net assets	704.5	131.2	141.1	42.3	25.9	13.0	33.1	8.3	904.6	194.8
Profit/(loss) for the period	81.5	17.7	21.7	6.5	17.1	8.6	(11.8)	(2.9)	108.5	29.9
USV profit for period									**0.9**	**0.4**
Profit for the period									**109.4**	**30.3**
Adjusted net assets	**725.2**	**119.5**	**157.9**	**47.4**	**26.1**	**13.0**	**65.7**	**16.4**	**974.9**	**196.3**

Net assets and profit for the period 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 £42.4 million during the year ended 31 December 2013 (2012: £21.8 million), resulting in an overall carrying value of £237.2 million (2012: £194.8 million). The following table shows how the increase has been achieved.

	2013			2012		
	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:						
Net portfolio contribution (NPC)	11.3	–	11.3	10.1	–	10.1
Minority interest share of NPC	1.1	–	1.1	1.0	–	1.0
Management fee adjustment related to trading with joint venture	2.4	–	2.4	2.3	–	2.3
Net revaluation gains	13.5	–	13.5	14.9	–	14.9
Deferred tax	–	–	–	0.4	–	0.4
Discount on interest free loans (note 4.3)	(15.4)	15.4	–	(0.8)	0.8	–
Debt exit costs	(2.2)	–	(2.2)	–	–	–
Loss on cancellation of interest rate swaps	(3.8)	–	(3.8)	(0.6)	–	(0.6)
Landsbanki cash received	2.3	–	2.3	2.9	–	2.9
Other	–	–	–	0.1	–	0.1
	9.2	15.4	24.6	30.3	0.8	31.1
Recognised in equity:						
Movement in effective hedges	8.4	–	8.4	3.6	–	3.6
Deferred tax on movement in effective hedges	–	–	–	(0.1)	–	(0.1)
Other adjustments to the carrying value:						
Profit adjustment related to trading with joint venture	(4.2)	1.8	(2.4)	(10.1)	0.2	(9.9)
Increase in loan to OCB	–	1.4	1.4	–	–	–
Additional capital invested in UCC	3.4	–	3.4	–	–	–
Additional capital invested in LSAV	8.4	–	8.4	–	–	–
UCC promote	7.5	–	7.5	–	–	–
Acquisition of remaining 49% in USV	–	–	–	(3.8)	(3.9)	(7.7)
Acquisition of 50% share in LSAV	–	–	–	11.5	–	11.5
Transfer from investment loan to investments	19.6	(19.6)	–	–	–	–
Distributions received	(9.9)	–	(9.9)	(9.6)	–	(9.6)
Increase/(decrease) in carrying value	**42.4**	**(1.0)**	**41.4**	**21.8**	**(2.9)**	**18.9**
Carrying value at 1 January	194.8	11.2	206.0	173.0	14.1	187.1
Carrying value at 31 December	**237.2**	**10.2**	**247.4**	**194.8**	**11.2**	**206.0**

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 three joint venture investment loans to USAF were transferred to investment in joint ventures following a change in the terms of these loans as a result of the refinancing within USAF. This also resulted in the accelerated unwinding of the discount on the joint venture interest free loans of £15.4 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 £15.4 million (note 3.4a).

Section 3: Asset management continued

3.4 Investments in joint ventures (Group) continued

c) Transactions with joint ventures

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

	2013 £m	2012 £m
USAF	6.6	6.3
UCC	3.1	3.3
OCB	0.9	1.0
LSAV	0.4	–
Property management fees	**11.0**	**10.6**
LSAV	0.9	–
Development management fees	**0.9**	**–**
UCC	7.5	–
Promote fees	**7.5**	**–**
Total fees	**19.4**	**10.6**

Included in share of joint venture profit in the income statement is a share of joint venture property management fee costs of £0.6 million (2012: £0.5 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 (2012: £0.2 million). This results in the net fees included in NPC (note 2.1a) of £10.6 million (2012: £10.3 million).

No properties have been sold to joint ventures in 2013. During 2012 the Group sold one property to USAF for £30.4 million and one property to LSAV for £45.2 million. The two properties were held on the balance sheet as completed property within current assets, the proceeds and carrying value of the properties is therefore recognised in revenue and cost of sales in the income statement and the cash flows in operating activities. The profits relating to sales and associated disposal costs and related cash flows are set out below:

	Profit and loss 2013		Profit and loss 2012	
	USAF £m	LSAV £m	USAF £m	LSAV £m
Included in revenue (net of joint venture trading adjustment)	–	–	29.7	38.2
Included in cost of sales	–	–	(26.7)	(31.2)
Profit on disposal of property	**–**	**–**	**3.0**	**7.0**

	Cash flow 2013		Cash flow 2012	
	USAF £m	LSAV £m	USAF £m	LSAV £m
Gross proceeds	–	–	31.0	46.2
Part settled by:				
Investment in joint venture	–	–	–	(11.5)
Net cash flows included in cash flows from operating activities	**–**	**–**	**31.0**	**34.7**

Included within cash flows from financing activities is £nil (2012: (£32.2 million)) relating to the repayment of non-current borrowings on disposal of properties to joint ventures. £nil (2012: (£9.9 million)) relates to USAF and £nil (2012: (£22.3 million)) relating to LSAV.

UCC properties are partly funded by debt totalling £225.7 million (2012: £226.7 million) which equates to 57.9% (2012: 59.5%) of the market value of these properties. In 2012 the Group guaranteed its share, 30%, of this debt amounting to £68.0 million. This guarantee only took effect in the event that the joint venture was unable to repay the debt within nine months of it becoming due. The Group no longer guarantees any UCC debt. These guarantees were accounted for in accordance with IFRS 4.

Section 3: Asset management continued

3.4 Investments in joint ventures (Group) continued

OCB properties are partly funded by debt totalling £106.0 million (2012: £113.0 million) which equates to 61.0% (2012: 64.7%) of the market value of these properties. In 2012 the Group guaranteed one facility amounting to £50.0 million. The Group had a back to back guarantee from Oasis Capital Bank for £37.5 million. This guarantee only took effect in the event that the joint venture was unable to repay the debt within six months of it becoming due. The Group no longer guarantees any OCB debt. These guarantees were accounted for in accordance with IFRS 4.

3.5 Investments in subsidiaries (Company)

Accounting policies

In the financial statements of the Company, investments in subsidiaries and joint ventures are carried at fair value with movements in fair value being recognised directly in equity.

a) Carrying value of investment in subsidiaries and joint ventures

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

	Investment in subsidiaries		Investment in joint ventures	
	2013 £m	2012 £m	2013 £m	2012 £m
At 1 January	228.4	112.0	–	2.5
Acquisitions	–	1.8	–	–
Transfer from investment in joint ventures	–	2.5	–	(2.5)
Disposals	–	(4.3)	–	–
Revaluation	95.4	116.4	–	–
At 31 December	**323.8**	**228.4**	**–**	**–**

The carrying value of investment in subsidiaries has been calculated using the equity attributable to the owners of the parent company from the consolidated balance sheet adjusted for the fair value of fixed rate loans 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 123.

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 (2012: £90.0 million). A further loan of £89.9 million was provided to LDC (Holdings) plc in the year 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%
USAF Feeder (Guernsey) Ltd	Guernsey	Ordinary	51%
OCB UNITE Property Holdings (Jersey) Ltd^	Jersey	Ordinary	25%

* Held directly by the Company.
^ Joint venture. Joint control is explained in note 3.4.

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	
	2013 £m	2012 £m	2013 £m	2012 £m
Current				
In one year or less, or on demand	29.7	100.2	4.9	1.2
Non-current				
In more than one year but not more than two years	93.2	65.1	–	–
In more than two years but not more than five years	182.3	131.8	79.0	–
In more than five years	208.2	230.8	90.0	90.0
	483.7	427.7	169.0	90.0
Total borrowings	**513.4**	**527.9**	**173.9**	**91.2**

In addition to the borrowings currently drawn as shown above, the Group has available undrawn facilities of £58.2 million (2012: £34.9 million). A further working capital facility of £20 million (2012: £20 million) is also available.

A further £101 million (2012: £146 million) of facilities are available if certain conditions are met. Of this amount £73 million (2012: £75 million) is only available for rental properties and £15 million (2012: £41 million) for development properties. The remaining amount is available for investment or development.

The carrying value of borrowings is considered to be approximate to fair value, except for the Group's fixed rate loans carried at £211.0 million (2012: £227.8 million) and the convertible bond carried at £80.7 million (2012: £nil). The convertible bond and £90.0 million (2012: £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 £188.5 million (2012: £91.5 million).

The remaining £119.5 million (2012: £137.8 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 £116.7 million (2012: £145.7 million).

Properties with a carrying value of £657.2 million (2012: £728.1 million) have been pledged as security against the Group's drawn down borrowings.

On 31 January 2014 the Group successfully secured a 10 year fixed-rate £124 million debt facility, which has been secured against four wholly owned properties at 50% loan-to-value. As part of this transaction the Group repaid £120.3 million of existing debt. This is comprised of amounts being due for payment in less than one year (£28.5 million), between one and two years (£54.1 million), and between two and five years (£37.7 million).

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:

	2013 £m	2012 £m
Current	2.0	0.7
Non-current	3.4	23.0
Fair value of interest rate swaps	5.4	23.7

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. 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.

4.3 Net financing costs

Accounting policies

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

Recognised in the income statement:	2013 £m	2012 £m
Finance income		
– Interest income on deposit	(0.3)	(0.2)
– Impact of discounting on interest free joint venture investment loans (note 3.4b)	(15.4)	(0.8)
Finance income	**(15.7)**	**(1.0)**
Gross interest expense on loans	25.0	21.9
Loan break costs	0.4	0.1
Interest capitalised	(6.1)	(6.0)
Loan interest and similar charges	19.3	16.0
Changes in mark to market of interest rate swaps not accounted for as hedges	(0.7)	7.6
Finance costs	**18.6**	**23.6**
Net financing costs	**2.9**	**22.6**

The Group's overall average cost of debt as at 31 December 2013 is 5.1% (2012: 5.5%). The average cost of the Group's investment debt at 31 December 2013 is 5.1% (2012: 5.5%). The overall average cost of debt on a see-through basis is 4.7% (2012: 5.5%).

Section 4: Funding continued

4.4 Gearing
The Group's adjusted gearing ratio is a key indicator that the Group uses to manage its indebtedness. Adjusted 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	2013 £m	2012 £m
Cash and cash equivalents	5.1	43.2	75.4
Current borrowings	4.1	(29.7)	(100.2)
Non-current borrowings	4.1	(483.7)	(427.7)
Interest rate swaps liabilities	4.2	(5.4)	(23.7)
Net debt per balance sheet		**(475.6)**	**(476.2)**
Mark to market of interest rate swaps		5.4	23.6
Adjusted net debt		**(470.2)**	**(452.6)**
Reported net asset value (attributable to owners of the parent company)	2.3c	653.3	515.8
EPRA net asset value	2.3c	681.6	566.5
Gearing			
Basic (Net debt/Reported net asset value)		73%	92%
Adjusted gearing (Adjusted net debt/EPRA net asset value)		69%	80%
See-through adjusted gearing (including share of JV properties and net debt)		98%	114%
See-through adjusted LTV		49%	52%

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 specific development borrowings of £17.5 million as at 31 December 2013 (2012: £nil). As at 31 December 2013 all Group specific development borrowings were unhedged. The Group will continue to review the level of its hedging in the light of the current low interest rate environment.

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's policy also allows this exposure to be managed through the use of forward starting swaps.

Section 4: Funding continued

4.5 Financial risk factors continued
a) Interest rate risk continued
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 2013, the Group's policy guideline has been to hedge in excess of 75% of the Group's exposure for terms of approximately 2-10 years.

At 31 December 2013, after taking account of interest rate swaps, 84% (2012: 88%) of the Group's medium and long-term investment borrowing was held at fixed rates. Excluding the £133 million of swaps the fixed investment borrowing is at an average rate of 4.7% (2012: 5.5%) for an average period of 7 years (2012: 9 years), including these swaps the average rate is 4.1%.

The Group holds interest rate swaps at 31 December 2013 against £133 million (2012: £258 million) of the Group's borrowings. The maturity of these swaps and the applicable interest rates are as follows:

	2013 Nominal amount hedged £m	2013 Applicable interest rates %	2012 Nominal amount hedged £m	2012 Applicable interest rates %
Within one year	34.0	3.1 – 5.8	–	–
Between one and two years	55.0	2.3	116.2	2.3 – 5.8
Between two and five years	38.0	2.6	122.8	1.7 – 5.3
More than five years	6.0	5.6	1.8	5.6

During the year, if interest rates had increased/decreased by 1%, pre-tax profit for the year would have been £0.7 million (2012: £1.2 million) lower/higher.

b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. For development activities, the Group has a policy to inject substantially the full amount of equity required for each development before drawing debt against the specific facility for the development. The funding requirements of each scheme are therefore substantially 'ring fenced' and secured at the outset of works.

The table below analyses the Group's financial liabilities and interest rate swaps into relevant maturity groupings based on the period remaining until the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest), so will not always reconcile with the amounts disclosed on the balance sheet.

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

2012

	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	652.3	119.7	82.3	175.0	275.3
Convertible bonds	–	–	–	–	–
Trade and other payables	82.0	82.0	–	–	–
Interest rate swaps – effective	4.4	1.3	1.3	1.2	0.6
Interest rate swaps – ineffective	11.2	5.6	3.1	2.5	–
	749.9	208.6	86.7	178.7	275.9

During the year 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.

Section 4: Funding continued

4.5 Financial risk factors continued

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 2013, 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 2013		31 December 2012	
	Weighted covenant	Weighted actual	Weighted covenant	Weighted actual
Loan-to-value	70%	25%*	70%	35%*
Interest cover	1.45	2.50	1.38	2.60
Minimum net worth	£250m	£682m	£250m	£567m

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

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

	2013 £m	2012 £m
Less than one year	14.7	15.3
Between one and five years	56.5	58.2
More than five years	183.2	192.9
Total	**254.4**	**266.4**

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 17 and 25 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 £15.0 million (2012: £15.3 million)

b) Receivable

The Group accounts for its tenancy contracts offered to commercial and individual tenants as operating leases. The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2013 £m	2012 £m
Less than one year	63.4	48.8
Between one and five years	47.6	40.1
More than five years	48.0	50.6
Total	**159.0**	**139.5**

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 Shareholders' Equity. The components and calculation of adjusted net debt are set out in note 4.4. Capital is managed so as to continue as a going concern and to promote the long-term success of the business, and to maintain sustainable returns for shareholders and joint venture partners.

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

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

In order to manage levels of adjusted gearing over the medium term, the Group seeks to deliver NAV growth and to dispose of non-core property assets in order to offset capital that is committed to development activity. £13 million of non-core assets were sold in 2013 and a further £77.1 million of non-core property disposals are targeted by December 2014. The Group targets new developments with 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 £23.2 million (2012: £17.2 million) during the year, thereby covering the proposed dividend of £8.5 million, 2.7 times (2012: £6.4 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	
	2013	2012
Issued at start of year – fully paid	160,461,442	160,271,460
Share placing	16,000,000	–
Share options exercised	196,482	189,982
Issued at end of year – fully paid	176,657,924	160,461,442

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 13 June 2013 the Group completed a share placing of 16,000,000 shares, which gave rise to proceeds of £51.2 million, £49.9 million net of issue costs.

The Group is in the process of raising gross proceeds of £100.5 million through the issue of 24,500,000 shares through a Placing and Open Offer, at a price of 410 pence per share.

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 £2.8 million (2012: £1.6 million) and paid a £4.7 million final dividend relating to the year ended 31 December 2012 (2011: £2.0 million).

After the year end, the Directors proposed a final dividend per share of 3.2 pence (2012: 3 pence), bringing the total dividend per share for the year to 4.8 pence (2012: 4 pence). 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 2013 was £43.2 million (2012: £75.4 million).

At 31 December 2013 the Company had an overdraft of £4.9 million (2012: £1.2 million).

The Group's cash balances include £13.4 million (2012: £12.1 million) whose use at the balance sheet date is restricted by funding agreements to pay operating costs and loan interest relating to specific properties.

The Group generates cash from its operating activities as follows:

		Group		Company	
	Note	2013 £m	2012 £m	2013 £m	2012 £m
Profit/(loss) for the year		79.3	127.2	(2.4)	(0.7)
Adjustments for:					
Depreciation and amortisation	3.3	2.2	2.9	–	–
Fair value of share based payments	6.1	1.1	1.5	–	–
UCC promote		(7.5)	–	–	–
Change in value of investment property	3.1	(35.4)	(79.5)	–	–
Net finance costs	4.3	2.9	22.6	0.1	0.3
Profit on acquisition of subsidiary		–	–	–	(2.2)
Loss on disposal of investment property		1.0	2.4	–	–
Share of joint venture profit	3.4b	(9.2)	(30.3)	–	–
Trading with joint venture adjustment		2.4	(1.6)	–	–
Tax credit	2.6a	(2.2)	(1.0)	–	–
Cash flows from operating activities before changes in working capital		**34.6**	**44.2**	**(2.3)**	**(2.6)**
Decrease/(increase) in trade and other receivables		3.6	(12.9)	–	–
(Increase)/decrease in completed property and property under development		(35.0)	43.8	–	–
(Increase)/decrease in inventories		(1.5)	5.3	–	–
Increase/(decrease) in trade and other payables		4.9	(11.7)	(0.2)	0.2
Decrease in provisions		(0.7)	(10.3)	–	–
Cash flows from operating activities		**5.9**	**58.4**	**(2.5)**	**(2.4)**

Cash flows consist of the following segmental cash inflows/(outflows): Operations £23.2 million (2012: £17.2 million), property (£94.0 million) (2012: £48.3 million) and unallocated £38.6 million (2012: (£6.9 million)). The unallocated amount includes Group dividends (£7.5 million) (2012: (£3.6 million)), LSAV set-up costs £nil (2012: (£1.3 million)), own shares purchased £nil (2012: (£1.3 million)), tax payable of (£0.7 million) (2012: (£0.9 million)), investment in JVs (£11.8 million) (2012: £nil), contributions to the UNITE Foundation (£0.5 million) (2012: £nil) and amounts received from shares issued £59 million (2012: £0.2 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	
	2013 £m	2012 £m	2013 £m	2012 £m
Trade receivables	2.2	7.8	–	–
Amounts due from Group undertakings	–	–	393.5	321.5
Amounts owed by joint ventures	29.3	27.9	–	–
Prepayments and accrued income	15.3	16.7	–	–
Other receivables	3.2	1.1	–	–
Trade and other receivables	**50.0**	**53.5**	**393.5**	**321.5**

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.

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**

2012

	Ageing by academic year			
	Total £m	2012/13 £m	2011/12 £m	Prior years £m
Rental debtors				
Commercial tenants (past due and impaired)	6.2	5.6	0.6	–
Individual tenants (past due and impaired)	4.1	2.3	0.9	0.9
Provisions carried	(3.4)	(1.2)	(1.3)	(0.9)
Rental debtors (past due but not impaired)	6.9	6.7	0.2	–
Manufacturing debtors (not past due or impaired)	0.9	0.9	–	–
Trade receivables	**7.8**	**7.6**	**0.2**	**–**

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

Section 5: Working capital continued

5.2 Trade and other receivables continued

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

	2013 £m	2012 £m
At 1 January	3.4	5.9
Impairment charged to income statement in year	0.5	1.4
Receivables written off during the year (utilisation of provision)	(2.4)	(3.9)
At 31 December	**1.5**	**3.4**

5.3 Credit risk

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

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

	Note	2013 £m	2012 £m
Cash	5.1	43.2	75.4
Trade receivables	5.2	2.2	7.8
Amounts due by joint ventures (excluding loans that are capital in nature)	5.2	29.3	27.9
Joint venture investment loans	3.4b	10.2	11.2
		84.9	**122.3**

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 £8.1 million (2012: £7.9 million) as collateral against individual customers.

c) Joint ventures

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

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	
	2013 £m	2012 £m	2013 £m	2012 £m
Trade payables	16.5	4.1	–	–
Retentions on construction contracts for properties	2.2	2.4	–	–
Amounts due to Group undertakings	–	–	59.4	29.7
Other payables and accrued expenses	35.5	41.9	3.0	3.2
Deferred income	31.0	33.6	–	–
Trade and other payables	**85.2**	**82.0**	**62.4**	**32.9**

Other payable and accrued expenses include £8.1 million (2012: £7.9 million) in relation to customer deposits. These will be returned at the end of the tenancy subject to the condition of the accommodation and payment of any outstanding amounts. Deferred income relates to rental income that has been collected in advance of it being recognised as revenue.

Section 5: Working capital continued

5.5 Transactions with other Group companies

During the year, the Company entered into various interest free loans with its subsidiaries, the aggregate of which are disclosed in the cash flow statement. In addition, the Company was charged by UNITE Integrated Solutions plc for corporate costs of £2.2 million (2012: £2.4 million).

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

	2013 £m	2012 £m
UNITE Holdings plc	81.2	74.6
LDC (Holdings) plc	312.3	246.9
Amounts due from Group undertakings	**393.5**	**321.5**
Unilodge Holding Ltd	(27.7)	(13.9)
Unilodge Holdings (UK) Ltd	(30.5)	(15.8)
UNITE Jersey Issuer Ltd	(1.2)	–
Amounts due to Group undertakings	**(59.4)**	**(29.7)**

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

The Company has guaranteed £164 million of its subsidiary companies borrowings (2012: £152 million). The guarantees have been entered into in the normal course of business. A liability would only arise in the event of the subsidiary failing to fulfil its contractual obligations. These guarantees are accounted for in accordance with IFRS 4.

Section 6: Key management and employee benefits

The Group's greatest resource is its staff and it works hard to develop and retain its people. The remuneration policies in place are aimed to help recognise the contribution that UNITE's people make to the performance of the Group.
Over the next couple of pages you will find disclosures on wages and salaries and share option schemes which allow employees of the Group to take an equity interest in the Group.

6.1 Staff numbers and costs

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

	Number of employees	
	2013	2012
Managerial and administrative	286	338
Site operatives	604	628
	890	**966**

The aggregate payroll costs of these persons were as follows:

	2013 £m	2012 £m
Wages and salaries	29.8	32.8
Social security costs	3.3	3.5
Pension costs	0.7	0.6
Fair value of share based payments	1.1	1.5
	34.9	**38.4**

The wages and salaries costs include redundancy costs of £0.4 million (2012: £0.3 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.

6.2 Key management personnel

The Board considers that the key management personnel within the Group are those appointed to the Board. As such, the remuneration of key management personnel is contained within the Directors' Remuneration Report on pages 76 and 87.

Section 6: Key management and employee benefits continued

6.3 Share based compensation

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

a) Share schemes

The Group operates the following schemes:

Executive share option scheme – 'The Approved Scheme' Executive share option scheme – 'The Unapproved Scheme' Executive Long-Term Incentive Plan (LTIP)	{ Details can be found in the Directors' Remuneration Report
Save As You Earn Scheme (SAYE)	Open to employees, vesting periods of three to five years, service condition
Employee Share Ownership (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 2013	Number of options (thousands) 2013	Weighted average exercise price 2012	Number of options (thousands) 2012
Outstanding at 1 January	£0.52	3,720	£0.85	2,375
Forfeited during the year	£0.18	(258)	£1.44	(308)
Exercised during the year	£1.34	(277)	£1.44	(190)
Granted during the year	£0.51	994	£0.35	1,843
Outstanding at 31 December	£0.48	4,179	£0.52	3,720
Exercisable at 31 December	£2.21	181	£2.22	256

For those options exercised in the year, the average share price during 2013 was £3.75 (2012: £2.63).

For those options still outstanding, the range of exercise prices at the year end was 0 pence to 319 pence (2012: 0 pence to 299 pence) and the weighted average remaining contractual life of these options was 0.2 years (2012: 0.3 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.

Five year record

		2013	2012	2011	2010	2009
Adjusted diluted NAV per share (pence)		**382**	350	318	295	265
NAV per share (pence)		**370**	321	242	242	229
Adjusted net assets (£m)		**682**	567	515	475	423
IFRS net assets (£m)		**653**	516	388	388	366
Managed portfolio value (£m)		**2,736**	2,688	2,502	2,334	2,039
LTV*	adjusted see-through (%)	**49%**	52%	54%	54%	56%
	adjusted wholly owned (%)	**50%**	53%	54%	53%	59%
NPC (£m)		**26**	19	11	4	1
Adjusted (EPRA) profit/(loss) (£m)		**23**	16	(17)	(5)	(4)
Profit/(loss) before tax (£m)		**77**	126	5	24	(35)
Earnings per share	adjusted (pence)	**18**	10	(11)	(3)	(3)
	adjusted pre exceptional**	**14**	10	3	(3)	(3)
	basic (pence)	**46**	78	1	12	(26)

* We no longer focus on gearing as a metric, instead we use adjusted LTV as a measure of our debt to gross asset value ratio.

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

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 15 May 2014 for the purpose of considering and, if thought fit, passing Resolutions 1 to 16 (inclusive) as Ordinary Resolutions and Resolutions 17 and 18 as Special Resolutions.

Ordinary Resolutions

Annual Report and Accounts

1. To receive the audited annual accounts of the Company for the year ended 31 December 2013 together with the Directors' and auditor's report on those annual accounts (the Annual Report and Accounts).

Directors' Remuneration Policy

2. To approve the Directors' Remuneration Policy set out on pages 68 to 75 (inclusive) in the Annual Report and Accounts.

Annual Report on Remuneration

3. To approve the Annual Statement by the Chairman of the Remuneration Committee and the Annual Report on Remuneration for the year ended 31 December 2013 set out on page 67 and pages 76 to 87 respectively in the Annual Report and Accounts.

Final dividend

4. To declare a final dividend for the year ended 31 December 2013 of 3.2 pence per ordinary share payable to shareholders on the register of members of the Company at the close of business on 22 April 2014.

Re-election of Directors (Resolutions 5 to 12)

5. To re-elect Mr P M White as a Director of the Company.
6. To re-elect Mr M C Allan as a Director of the Company.
7. To re-elect Mr J J Lister as a Director of the Company.
8. To re-elect Mr R C Simpson as a Director of the Company.
9. To re-elect Mr R S Smith as a Director of the Company.
10. To re-elect Mrs M K Wolstenholme as a Director of the Company.
11. To re-elect Sir Tim Wilson as a Director of the Company.
12. To re-elect Mr A Jones as a Director of the Company.

Election of Director

13. To elect Ms Elizabeth McMeikan as a Director of the Company.

Auditors (Resolutions 14 and 15)

14. 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.
15. To authorise the Directors to determine the remuneration of the auditors.

Authority to allot shares

16. 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 subject to subscribe for or to convert any security into shares of the Company being 'relevant securities), up to an aggregate nominal amount of £16,763,206.58 (such amount to be reduced by the nominal amount of any allotments or grants made under paragraph (b) below in excess of £16,763,206.58); and further

    (b) to allot equity securities (as defined in section 560(1) of the Act) up to an aggregate nominal amount of £33,526,413.17 (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; and

Notice of annual general meeting continued

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

but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with in relation to treasury shares, fractional entitlements or legal, regulatory or practical problems arising under the laws or requirements of any overseas territory or by virtue of shares being represented by depository receipts or the requirements of any relevant regulatory body or stock exchange or any other matter whatsoever,

provided that this authority shall expire (unless previously renewed, varied, extended or revoked by the Company in general meeting) on the date falling 15 months from the passing of this Resolution or, if earlier, at the conclusion of the next annual general meeting of the Company to be held following the passing of this Resolution, save that the Company may at any time before such expiry make an offer or enter into an agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if this authority had not expired.

Special Resolutions

Authority to disapply pre-emption rights

17. 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(1) 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 16 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 £2,514,480.99,

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.

Notice of general meetings

18. That a general meeting other than an annual general meeting may be called on not less than 14 clear days' notice.

By order of the Board
Christopher Szpojnarowicz
Company Secretary

Dated 31 March 2014

Registered office:
The Core
40 St Thomas Street
Bristol
BS1 6JX

Registered in England and Wales with registered number 03199160

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 13 May 2014.
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 13 May 2014. 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.

Notice of annual general meeting continued

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 13 May 2014 (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 31 March 2014 (being the last practicable business day prior to the publication of this Notice), the Company's issued share capital comprised 201,158,479 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 31 March 2014 are 201,158,479.
15. You may not use any electronic address provided either in this notice of meeting or any related documents (including the proxy form) to communicate with the Company for any purposes other than those expressly stated.
16. Members attending the meeting have the right to ask and, subject to the provisions of the Act, the Company must cause to be answered, any questions relating to the business being dealt with at the meeting.
17. The following information is available at www.unite-group.co.uk (1) the matters set out in this notice of annual general meeting; (2) the total numbers of shares in the Company in respect of which members are entitled to exercise voting rights at the meeting; (3) the totals of the voting rights that members are entitled to exercise at the meeting; and (4) members' statements, members' resolutions and members' matters of business received by the Company after the date on which notice of the meeting was given.
18. It is possible that, pursuant to requests made by members of the Company under section 527 of the Act, the Company may be required to publish on a website a statement setting out any matter relating to: (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting; or (b) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under section 527 of the Act to publish on a website.
19. In accordance with section 338 of the Act, a member or members of the Company may (provided that the criteria set out in section 338(3) of the Act are met) require the Company to give to members notice of a resolution which may properly be moved and is intended to be moved at the meeting, provided that: (a) the resolution must not be, if passed, ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise); and (b) the resolution must not be defamatory of any person, frivolous or vexatious. Such a request may be in hard copy form or in electronic form, must be authenticated by the person or persons making it, must identify the resolution of which notice is to be given and must be received by the Company not later than six weeks before the meeting, or, if later, the time at which notice is given of the meeting. (In the foregoing sentence, the terms 'hard copy form', 'electronic form' and 'authenticated' bear their respective meanings set out in the Act in relation to a communication, or a document or information sent or supplied, to a company.)
20. In accordance with section 338A of the Act, a member or members of the Company may (provided that the criteria set out in section 338A(3) of the Act are met) require the Company to include in the business to be dealt with at the meeting a matter (other than a proposed resolution) which may properly be included in the business of the meeting, provided that the matter is not defamatory of any person, frivolous or vexatious. A request may be in hard copy form or electronic form, must identify the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person or persons making it and must be received by the Company not later than six weeks before the meeting, or, if later, the time at which notice is given of the AGM. (In the foregoing sentence, the terms 'hard copy form', 'electronic form' and 'authenticated' bear the respective meanings set out in the Act in relation to a communication, or a document or information sent or supplied, to a company.)
21. A member that is a company or other organisation not having a physical presence cannot attend in person but can appoint someone to represent it. This can be done in one of two ways: either by the appointment of a proxy (as described in the notes above) or of a corporate representative. Members considering the appointment of a corporate representative should check their own legal position, the Company's articles of association and the relevant provisions of the Act.
22. The following documents are available for inspection at the registered office of the Company during the usual business hours on any weekday (Saturday, Sunday or public holidays excluded) from the date of this notice until the conclusion of the meeting and will also be available for inspection at the place of the meeting from 9.15am 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.

Adjusted earnings per share
The diluted earnings per share based on adjusted profit.

Adjusted, fully diluted net asset value per share (Adjusted NAV)
The basic NAV per share figure is recalculated to take account of dilutive outstanding share options and adjusted to:

- Exclude the impact of deferred tax
- Exclude the mark to market of interest rate swaps
- Include the valuation gain not recognised on properties held at cost.

Adjusted gearing
Adjusted net debt as a percentage of adjusted net assets.

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 a 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 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 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 projects until such time as its capital investment targets are met.

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.

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

Net portfolio contribution (NPC)
This is an important indicator of operational performance as it measures the income from the rental properties, net of their financing costs and the Group's total non-development related overheads.

Net rental growth
The annual growth in net operating income less costs from a property (measured on a like-for-like basis, i.e. excluding impact of completion and disposals).

Nominations
Properties where short-hold tenancy agreements are made with students, with the University providing a longer-term occupancy guarantee in respect of a significant proportion of rooms.

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

OCB
Established a joint venture with Oasis Capital Bank (OCB) in August 2009. The joint venture consists of three assets located in London, all of which were completed in 2010.

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 £240.7 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 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.

USAF/the Fund
The UNITE UK Student Accommodation Fund (USAF) is Europe's largest fund that purely focuses on direct let student accommodation investment assets. The Fund is an open-ended infinite life vehicle which has unique buying access to UNITE's portfolio. UNITE act as Fund Manager of the Fund, as well as owning a significant minority stake.

Company information

UNITE Executive Team
Mark Allan
Chief Executive

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

Auditors
KPMG Audit Plc
15 Canada Square
London E14 5GL

Financial advisors
JP 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
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The heart of
student living

UNITE