UNITE STUDENTS


# STRENGTH THROUGH PARTNERSHIP

**The Unite Group plc**
Annual Report and Accounts 2015

# STRENGTH THROUGH PARTNERSHIP

**Established in 1991, Unite Students is the UK's largest and most experienced developer and operator of student accommodation. We provide a home for over 46,000 students in 138 properties in 28 of the country's strongest University towns and cities.**

We rent our rooms both directly to students, and through working closely with around 60 Universities across the UK; these strong partnerships are key to our success.

Our business is delivered through our 1,250 motivated and committed employees. Students come to us from around 165 countries, and our culturally diverse customers are at the heart of our business. We aim to provide them with a home that supports their success, academic achievement, personal growth and employability. Working with our partner Universities, we aim to provide the right accommodation experience and support for students.

Our properties provide high quality, well-located and safe accommodation close to University campuses, transport and local amenities. Students living in our properties are provided with someone on hand to help; a well designed study bedroom, all bills, insurance, 24-hour security, cleaning services and high speed Wi-Fi throughout our buildings.

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

STRATEGIC REPORT

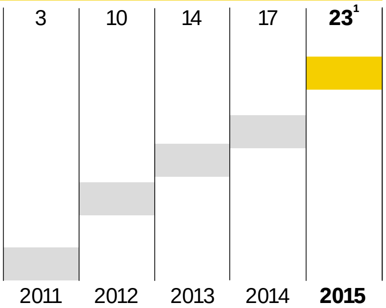
# CONTINUED STRONG RESULTS



- Excellent financial performances on all fronts
- Earnings per share up 34%
- Dividend up by 34%
- Total return of 37%
- Growth prospects remain strong
- Positive reservations and rental outlook for 2016/17
- Development pipeline remains strong
- Visible earnings growth outlook

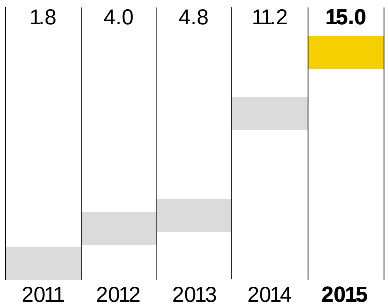
## EARNINGS PER SHARE* PENCE

23P



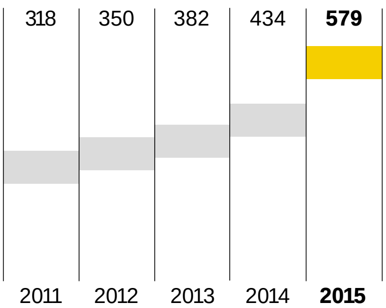

## DIVIDEND PER SHARE PENCE

15P



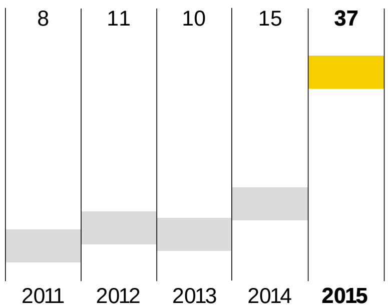

## NET ASSET VALUE* PENCE PER SHARE

579P



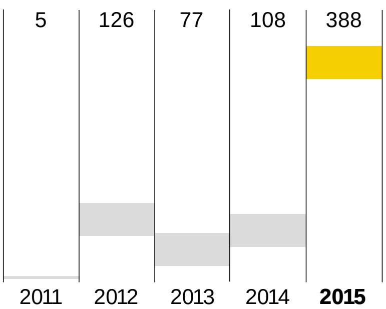

## TOTAL RETURN %

37%



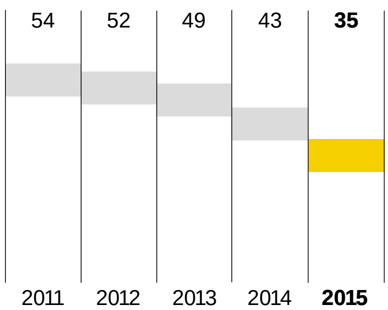

## IFRS PROFIT BEFORE TAX £M

388M




## LOAN TO VALUE RATIO %

35%




* Results are based on the European Public Real Estate Association (EPRA) performance measures.

[1] 2015 EPS of 23p based on adjusted EPRA earnings.

# CONTENTS

01

## Strategic report


1 Financial highlights
4 Unite at a glance
6 Highlights
8 Where we operate
10 Chairman's statement
11 Chief Executive's statement
14 Business model and strategy
15 Our resources and relationships
16 Our strategy at a glance
18 Market overview
20 Strategy in action
26 Key performance indicators
28 Risk management
31 Principal risks and uncertainties
35 Operations review
38 Property business
42 Financial review
44 Corporate responsibility and sustainability


02

## Corporate governance


52 Chairman's introduction to governance
54 Board of Directors
56 Shareholder relations
57 Leadership
62 Effectiveness
63 Nomination Committee report
64 Accountability
65 Audit Committee report
70 Health & Safety Committee report
72 Annual statement of the Chair of the Remuneration Committee
74 Directors' remuneration policy
82 Annual report on remuneration
92 Directors' report
93 Statement of Directors' responsibilities in respect of the annual report and the financial statements

## Financial statements

94 Independent auditor's report
98 Introduction and table of contents
99 Consolidated income statement
99 Consolidated statement of comprehensive income
100 Consolidated balance sheet
101 Company balance sheet
102 Consolidated statement of changes in shareholders' equity
103 Company statement of changes in shareholders' equity
104 Statements of cash flows
105 Notes to the financial statements

03

04

## Other information

153 Financial record
154 Notice of Annual General Meeting
160 Glossary
162 Company information

# WHAT WE DO

## OUR PURPOSE

### HOME FOR SUCCESS

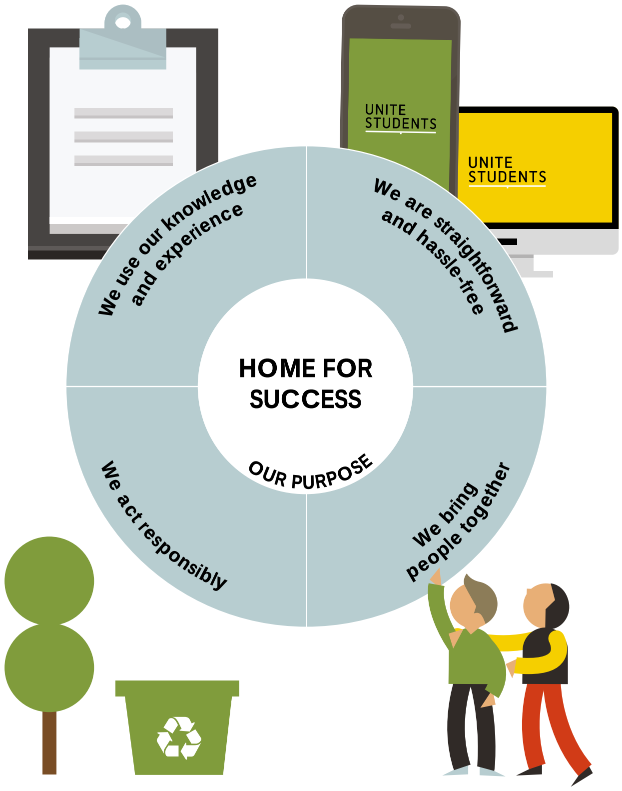
OUR CORE PURPOSE IS TO PROVIDE STUDENTS WITH A HOME FOR SUCCESS. THIS MEANS PROVIDING A COMFORTABLE ENVIRONMENT THAT ENABLES STUDENTS TO ACHIEVE MORE DURING THEIR TIME AT UNIVERSITY AND REFLECTS THE DESIRE OF OUR EMPLOYEES TO POSITIVELY CONTRIBUTE TO MAKING STUDENTS FEEL AT HOME.

OUR PURPOSE SITS AT THE HEART OF OUR BRAND.

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

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

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




## THE UNITE FOUNDATION

### SUPPORTING STUDENTS

HELPING DISADVANTAGED YOUNG PEOPLE GO TO UNIVERSITY

The Unite Foundation was set up as a charitable trust in 2012 with the aim of providing free University accommodation and a generous annual scholarship to young people who aspire to a degree, but face the most challenging circumstances. Reflecting Unite's purpose, Home for Success, particular emphasis is placed on supporting students for whom a secure home is of particular significance.

In the 2015/16 academic year, we are providing 125 scholarship places, and we anticipate that this number will increase to around 135 in the next academic year.

Unite Foundation

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

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

## OPERATIONS

### DELIVERING HIGH LEVELS OF CUSTOMER SERVICE

The **Operations business unit** is responsible for our 138 properties including those owned by our co-investment vehicles. Operations add value by:

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

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

Related section
Operations review on p35

## PROPERTY

### HIGHEST QUALITY PORTFOLIO

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

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

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

Related section
Property business p38

HIGHLIGHTS

# A YEAR OF ACHIEVEMENT

## THE MOST TRUSTED BRAND

During 2015, we continued to transform our buildings, customer services and digital platforms as part of our ongoing commitment to deliver Home for Success. Progress included:

- On target to complete the £21m roll-out of our LED programme, which will cut our energy consumption by 15%
- Enhancing our Wi-Fi speed by 25% across all our properties, with the option for students to upgrade to 50MB
- The launch of the digital platform ‘Student Life Hub’; a guide to student life designed to engage with and empower our students. The hub helps students with life skills, supports them with wellbeing advice, includes ‘everyday’ advice from maintenance to laundry and gives access to lifestyle content, written by students for students
- Partnering with online experts John Smith to launch an exclusive online shop, giving our students access to a wide range of student essentials and unique offers
- Winning an Education Investor award in the Student Accommodation Fund of the Year category
- Being named as the Student Accommodation Operator of the Year, winning Property Week’s RESI Award for the second time in three years
- Having our environmental achievements recognised with 12 Bronze NUS Green Impact awards
- Achieving Investors in People ‘Gold’ accreditation, outlining our commitment to our employees
- Completing the roll-out of key elements of PRISM, our new IT system, covering revenue and maintenance management
- We opened an office in China and also established a Unite Students online presence in the far east
- Our University Partnership Team has continued to build on our strong Higher Education relationships, with nominations agreements with partner Universities now standing at 57%, equating to 26,000 beds over the year

Confidence and trust in Unite Students has again translated into sales success, with over 99% of beds let and more rooms let than ever. This delivered rental growth of 3.8%.

We achieved record scores on both our customer satisfaction and University Trust surveys, underlining our commitment to supporting students to achieve their potential.

In addition to continued financial success throughout 2015, improvements across the business resulted in endorsements being received in three key areas; the company achieved record results in our independent customer satisfaction survey and also with our University trust scores. Additionally, we saw our employee engagement survey levels increase yet again. This illustrates how much progress has been made since Home for Success was launched as our new purpose in 2014, contributing to our objective of long-term sustainable growth.



## THE HIGHEST QUALITY PORTFOLIO

We successfully delivered two developments in 2015. Both properties were completed in line with budget and programme and have been fully let for the 2015/16 academic year to Universities under nominations agreements.

Orchard Heights, Bristol, was completed in August and has been let to the University of Bristol and Angel Lane, Stratford, let to King's College London, under a nomination agreement. Both properties form part of the core accommodation offerings to students and have been co-branded with the Universities.

We continued to progress our 2016 pipeline and are on track to deliver five schemes: in Portsmouth, Aberdeen and Coventry and two in London.

We acquired four development sites: Far Gosford Street Coventry, Tara House Liverpool, Old BRI and Brunel House Bristol, and we secured four planning consents (St Leonard's Edinburgh, Tara House Liverpool, Far Gosford Street Coventry, and Newgate Centre, Newcastle).

The Unite UK Student Accommodation Fund (USAF) acquired a 2,100 bed portfolio for £271m from Ahli United Bank (AUB), adding three new cities (York, Durham, Oxford), and further enhancing the overall quality of our portfolio.

In addition to this, we disposed of non-core assets. We sold Leighton Hall, Preston, and Charles Morton Court, London, with the objective of recycling the capital raised into stronger properties.

## THE STRONGEST CAPITAL STRUCTURE

We have continued to strengthen our capital structure and have attracted new capital into the business by:

- Raising £115m (before fees) of capital through a placing in April 2015
- Raising £306m through the USAF equity raise in June 2015, which enabled the acquisition of the AUB portfolio
- The completion of the forward sale of Stratford One to LSAV for £84m
- Disposal of non-core assets continued with the sale of Leighton Hall, Preston, and Charles Morton Court, London
- Our LTV has reduced to 35% as a result of activities to strengthen our capital structure

In 2015, we continued along similar lines to 2014, again delivering our best financial results, with recurring profits up 34% and also increasing our dividend by 34%.

We achieved rental growth of 3.8% in the year, enhancing our earnings and NAV.

The interest rate environment has remained benign and we have been able to continue taking advantage of historically low rates, both on new debt facilities and by entering into forward starting interest rate swaps in respect of the future borrowing requirements of our secured development pipeline. As a result of these activities our average cost of debt has fallen and we expect it to fall further over the next few years.

# THE LEADING STUDENT ACCOMMODATION PROVIDER

We operate across the UK in 28 cities, with our top ten markets making up 72% of our total beds. 45% of our capital (on a see-through basis) is invested in London.

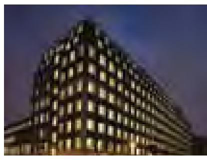
The tables below show the top ten cities in which we operate, and our top ten properties by value. These locations are pinpointed on the map on page 9 along with the location of our other sites. The photographs and captions provide further insight into what our properties have to offer.

## TOP TEN CITIES IN WHICH WE OPERATE

| Rank | City | Completed beds | Full time student numbers | Market share |
|---|---|---|---|---|
| 1 | London | 8,567 | 279,160 | 3.1% |
| 2 | Sheffield | 3,731 | 48,815 | 7.6% |
| 3 | Bristol | 3,479 | 40,275 | 8.6% |
| 4 | Leeds | 3,458 | 50,700 | 6.8% |
| 5 | Liverpool | 3,398 | 43,160 | 7.9% |
| 6 | Birmingham | 2,688 | 58,980 | 4.6% |
| 7 | Glasgow | 2,396 | 55,115 | 4.3% |
| 8 | Manchester | 2,336 | 61,535 | 3.8% |
| 9 | Leicester | 1,687 | 30,610 | 5.5% |
| 10 | Portsmouth | 1,402 | 17,995 | 7.8% |
| | | 33,142 | 686,345 | 4.8% |
| **Proportion of Unite portfolio** | | 72% | | |

## TOP TEN PROPERTIES BY VALUE

| Rank | Property | City | Beds |
|---|---|---|---|
| 1 | Moonraker Point | London | 674 |
| 2 | Stratford ONE | London | 1,001 |
| 3 | Woburn Place | London | 455 |
| 4 | The Plaza | Leeds | 1,500 |
| 5 | Angel Lane | London | 759 |
| 6 | St Pancras Way | London | 571 |
| 7 | Emily Bowes | London | 693 |
| 8 | Grand Central | Liverpool | 1,236 |
| 9 | The Forge | Sheffield | 1,381 |
| 10 | Sidney Webb House | London | 452 |

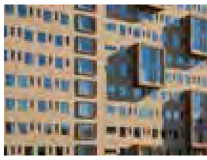


3

**Woburn Place, London**
**Beds: 455 (LSAV)**
Woburn Place is ideally located adjacent to three University campuses and is at the heart of student life in central London.

7

**Emily Bowes Court, London**
**Beds: 693 (USAF)**
A contemporary room design, Zone 3 location and quick links into central London make this a popular choice for students seeking a lower rent offering.



5

**Angel Lane, London**
**Beds: 759**
Opened in September 2015 with a range of en suite and studio accommodation, Angel Lane is located in Stratford with Westfield shopping centre and the Olympic Park on the doorstep. Excellent transport links provides fast access to Central London.

## OUR DEVELOPMENT PIPELINE

This is our development pipeline until 2018; once complete it will bring 6,811 beds to the market.

### SEPTEMBER 2016 COMPLETION

**Greetham Street, Portsmouth (Wholly owned)**
836 beds

**Causewayend, Aberdeen (Wholly owned)**
399 beds

**Far Gosford Street, Coventry (Wholly owned)**
286 beds

**Stapleton House, London (LSAV)**
862 beds

**Olympic Way, London (LSAV)**
699 beds

### SEPTEMBER 2017 COMPLETION

**St Leonards, Edinburgh (Wholly owned)**
581 beds

**Tara House, Liverpool (Wholly owned)**
776 beds

**Constitution Street, Aberdeen (Wholly owned)**
600 beds

**Millennium Point, Coventry (Wholly owned)**
371 beds

6

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

10

**Sidney Webb House, London**
**Beds: 452**
Located near Borough Market and close to the South Bank area of the River Thames. The property provides a home to 452 students from the London School of Economics and Political Science.

2

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

1

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

8

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

4

**The Plaza, Leeds**
**Beds: 1,500 (USAF)**
Completed in two phases, the property is convenient for both Universities in Leeds. It offers a range of en-suite rooms in three- to six-bedroom flats and studios.

9

**The Forge, Sheffield**
**Beds: 1,381 (Wholly owned)**
Campus-style living within a city centre environment that includes retail facilities let to Sainsbury's and Wilkinsons.


## SEPTEMBER 2018 COMPLETION

**Newgate Street, Newcastle (Wholly owned)**
569 beds

**Old BRI, Bristol (Wholly owned)**
604 beds

**Brunel House, Bristol (Wholly owned)**
228 beds

Related section
Property business p38

# CONSISTENT PERFORMANCE

PHIL WHITE, CHAIRMAN

## 2015 SAW ANOTHER STRONG PERFORMANCE FROM THE GROUP, CONTINUING THE EXCELLENT MOMENTUM OF RECENT YEARS.

Both total return per share and growth in EPRA earnings per share were well in excess of 30% for the year and, importantly, this was based on similarly strong growth in our independently assessed customer satisfaction scores. As a result of this performance we are declaring a final dividend of 9.5 pence per share, making 15.0 pence for the full year and an increase of 34% for the year.

Unite Students is a service brand and the strong performance we have delivered for our customers, University partners and shareholders is only possible because of the talent and dedication of our teams across the business. On behalf of the Board I would like to congratulate them and thank them for another excellent year.

Our performance has undoubtedly also benefitted from our consistent, focused strategy built on the three pillars of: building the most trusted brand in our sector, operating the highest quality portfolio, and maintaining the strongest capital structure. The sustained successful delivery of our objectives in each of these areas has meant that the business has been, and remains well placed to, capitalise on the fundamentals of the student accommodation sector and in particular the continued growth in student numbers at stronger Universities.

The outlook for our market remains positive and we expect student numbers to continue to grow steadily for at least the next three to five years. However, at the same time, market forces are operating more strongly than ever before across the University sector, meaning that student number growth is unlikely to be uniform across all Higher Education institutions, and the high levels of investor interest in the student accommodation sector itself is likely to lead to greater competition from other accommodation providers. Over recent years, we have used our in depth knowledge of the sector to position ourselves favourably in the local markets that are best placed for ongoing growth. We believe this, together with our valuable brand and relationships, leaves us well placed to continue performing strongly in the coming years.

**PHIL WHITE**
**Chairman of the Board**
23 February 2016

Related sections
Corporate Governance Statement p50

CHIEF EXECUTIVE'S STATEMENT

# BUILDING MOMENTUM

During 2015, we continued to deliver the clear, consistent strategy that has underpinned business performance since 2010. Our principal financial aim remains the delivery of sustainable growth in recurring profits and cash flow for the long term and we do this by focusing on three core objectives: to build the most trusted brand in our sector, to operate the highest quality portfolio in our sector and to maintain the strongest capital structure in our sector.

Performance in 2015 was particularly strong, with the regular components of our total return – EPRA earnings, development profits and rental growth – augmented by significant yield compression as investor interest increased, transaction volumes in the student accommodation sector reached unprecedented levels and capital values grew. Over the twelve months, we delivered a total return (NAV growth plus dividends) of 37% and Adjusted EPRA earnings per share (excluding the yield related element of the USAF performance fee) increased by 34%. As a result of this significant growth in earnings, we are declaring a final dividend of 9.5 pence per share (2014: 9.0 pence), making a dividend of 15.0 pence per share for the full year (2014: 11.2 pence) and an increase of 34% year on year.

Over the past five years, EPRA earnings per share have increased from 3.0 pence (2011) to 23.1 pence (2015) and dividends have increased from 1.8 pence (2011) to 15.0 pence (2015). Looking forward, with a positive outlook for rental growth, a highly scalable operating platform and an attractive secured development pipeline being delivered over the next few years we expect further significant growth.

## FINANCIAL HIGHLIGHTS

| | 2015 | 2014 |
|---|---|---|
| EPRA earnings | **£61.3m** | £33.3m |
| EPRA EPS | **28.6p** | 17.2p |
| EPRA NAV per share | **579p** | 434p |
| Dividend per share | **15p** | 11.2p |
| Total return on NAV | **37%** | 15.0% |
| See-through LTV ratio | **35%** | 43% |
| Operations cash flow | **£40.8m** | £35.0m |

With a healthy secured development pipeline and growing student numbers, we expect development activity and rental inflation to be the main drivers of capital growth in 2016. We also expect EPRA earnings per share to grow meaningfully again although at a slower rate than in 2015 due primarily to a lower level of new property openings for the 2015/16 academic year.

The evolution of our return profile and capital structure over the past few years means the business increasingly displays REIT-like characteristics. Having managed this transition carefully over that period we now intend to convert formally to REIT status over the next 12 months.

## BUILDING THE MOST TRUSTED BRAND IN OUR SECTOR

The Unite Students brand is built around our core purpose of 'Home for Success'; our aim to provide environments that help students achieve more during their time at University. We launched Home for Success in early 2014 and the 2014/15 academic year was the first full year in which students benefitted from the various investments we made in our service levels (such as free fortnightly communal kitchen and bathroom cleans, longer opening hours and higher speed Wi-Fi provision).

MARK ALLAN, CHIEF EXECUTIVE OFFICER

Related sections

Business model and strategy p14
Resources and relationships p15
Market overview p18
Strategy in action p20
Key performance Indicators (KPIs) p26
Principal risks and uncertainties p31

PERFORMANCE IN 2015 WAS PARTICULARLY STRONG, WITH THE REGULAR COMPONENTS OF OUR TOTAL RETURN – EARNINGS, DEVELOPMENT PROFITS AND RENTAL GROWTH – AUGMENTED BY SIGNIFICANT YIELD COMPRESSION. AS INVESTOR INTEREST INCREASED, TRANSACTION VOLUMES IN THE STUDENT ACCOMMODATION SECTOR REACHED UNPRECEDENTED LEVELS AND CAPITAL VALUES GREW.

Our key performance indicators suggest that these investments have been well received: our independently assessed University reputation and customer satisfaction scores both increased again to highest ever levels; we achieved like-for-like rental growth of 3.8% and academic year occupancy of 99%; and reservation levels across the portfolio for the 2016/17 academic year are already at 67% (2014: 65%) with a similarly positive outlook for rental growth for the full year.

Our two main customer groups remain UK first years (52%) and international students (34%) and we are continuing to refine our product and service offer with these groups in mind. During 2016, we will be extending our operations to a fully staffed seven-day model, further enhancing our online support and investing further in digital service opportunities. 2016 will also see us complete the launch of our new Prism operating system, with the final online booking element scheduled to go live ahead of the 2016/17 academic year in addition to the maintenance and revenue management modules that went live in 2015. Our net operating income (NOI) margin remained at 72.5% (2014: 72.5%) as the successful delivery of operating efficiencies offset our investment in enhanced service levels and a slight shift in revenue mix towards the regions.

Our operating platform is robust and highly scalable, underpinning both service consistency and our ability to grow our portfolio without adding central costs. As at December 2015, our overhead efficiency measure improved to 48 bps from 61 bps in 2014 and we expect to secure further improvements as the portfolio grows.

## OPERATING THE HIGHEST QUALITY PORTFOLIO IN OUR SECTOR

Our portfolio activity is focused on enhancing both the quality and scale of our estate across the UK in a disciplined way, centred on the strongest University locations with the best prospects. During 2015, we opened 1,250 new bed spaces, acquired a high quality 2,100 bed portfolio in USAF, invested £5m in accretive asset management initiatives and sold £100 million of assets (Unite share: £49 million). Taking into account these activities together with valuation movements, the value of our investment portfolio (including our share of co-investment vehicles) increased 22% to £1.8 billion as at December 2015 with the average portfolio yield falling 70bps to 5.55%.

Importantly we also made excellent progress during the year with our longer term secured pipeline, which now stands at 6,800 bed spaces. Construction of all our 2016 openings is progressing in line with plan, planning consents and build contracts are in place or are well progressed for our 2017 pipeline projects and we secured a number of high quality development sites targeted for 2018 delivery. We expect to secure the remainder of our target 2018 pipeline over the next few months and will then consider the prospects for a 2019 programme. The anticipated yield on cost of our secured pipeline is 9.0% and prospective returns on new projects remain attractive at c.8.5%, although these returns are likely to moderate as competition increases. Our highly accretive development pipeline remains a significant component of our future earnings growth and could contribute 12 pence per share to EPRA earnings by 2018.

During the year, we also acquired a high quality £271 million 2,100 bed portfolio from Ahli United Bank (AUB Portfolio) on behalf of USAF. Acquisitions of operational assets provide us with an opportunity to leverage our highly scalable operating platform but we maintain a highly disciplined approach, only pursuing opportunities where we have a clear and deliverable plan to add value to the acquired assets. This 2015, AUB acquisition and the 2014 USAF acquisition of a £137 million, 3,000 bed, portfolio from Cordea Savills, are excellent examples of this approach; both portfolios benefit from reversionary potential that we are uniquely placed to unlock. For 2016, USAF is considering a small number of open market single asset purchases, including on a forward commitment basis.

Disposals during 2015 were at a lower level than in recent years, reflecting the conclusion of our non-core asset disposal programme and balance sheet simplification activities of 2014. Disposals on a see-through basis totalled £49 million compared to an average of £100 million per annum over the preceding three years. However, portfolio recycling remains an important part of our strategy; taking into account the ongoing strength of the investment market and our commitment to maintain a strong and flexible balance sheet as we progress our development pipeline, disposals in 2016 are likely to revert closer to historical levels. This will provide us with the flexibility to fund development activity, beyond our current pipeline, internally.

## MAINTAINING THE STRONGEST CAPITAL STRUCTURE IN OUR SECTOR

Net debt grew by £34 million (4.9%) to £731 million on a see-through basis during 2015 as our significant capital expenditure programme (Unite share, £134 million) was substantially funded by asset disposals, retained profits and new equity. Our loan-to-value ratio fell sharply from 43% to 35% (again on a see-through basis) across the course of the year as our portfolio value increased markedly in contrast to the modest increase in net debt. Net debt is now equivalent to 6.9 times EBITDA and we intend to maintain our debt ratios at around current levels.

In April 2015, we raised £115 million (before fees) of new equity at 570 pence per share via a placing. Approximately half of the proceeds were invested in acquiring new USAF units as part of a wider £306 million capital raise by the Fund and the remainder has been allocated to our 2018 development programme, with which we are making very good progress. Taking into account our additional investment into USAF and the performance fee receivable from the Fund, our stake in USAF will increase to 23%.

The interest rate environment has remained benign and we have been able to continue taking advantage of historically low rates, both on new debt facilities and through entering into forward starting interest rate swaps in respect of the future borrowing requirements of our secured development pipeline. As a result of these activities, our average cost of debt has fallen to 4.5% from 4.7% and we expect it to fall a little further over the next couple of years as a proportion of forward starting swaps become effective. At these levels, the spread to ungeared development yields (c.8.5%) and investment yields (c.5.5%) remains significant.

## MARKET AND STRATEGY

The business continues to benefit from a supportive macro economic environment, particularly the structural demand/supply imbalance in the student accommodation sector and the historically low interest rate environment. For 2015/16, 532,000 applicants were awarded places at UK Universities, representing the highest ever annual intake. This compares to a graduating cohort of approximately 440,000 (primarily the intake from 2012) and therefore has resulted in total student numbers some 92,000 higher than last year. The total number of applicants also grew by 2.7% to 718,000, meaning that applicant numbers again outstripped available places by over 180,000.

In positioning the business for the longer term, we see two important trends:

- Student numbers are continuing to increase strongly (we estimate population growth of c.60,000 students per annum for the next few years), supported by uncapped enrolment and a large surplus of applicants over places. However, enrolment growth by institution will vary significantly: according to the Universities and Colleges Admissions Service (UCAS), 2015/16 enrolment growth at the stronger high tariff institutions (+7.0%) and medium tariff institutions (+5.7%) outpaced that at low tariff institutions (+0.7%) by a wide margin and we expect this to continue
- New supply will accelerate as sustained high levels of investment demand filter into the development market, primarily through investors providing forward commitments to smaller developers. However, growth in strong city centre locations will be limited by the practical constraints of the planning environment and site availability and we expect new supply to average c.30,000 beds per annum across the country for the next few years, approximately half the rate of student number growth that we anticipate

In light of these trends, our strategy remains clear. We will continue to focus our portfolio in towns and cities with the strongest growth prospects; we will continue to use our scalable operating platform to differentiate our brand by providing a consistently high level of service to students and Universities alike; and we will maintain a strong and flexible balance sheet that will enable us to adapt appropriately to market conditions as the cycle evolves.

## OUTLOOK

Our business benefits from a highly visible growth trajectory over the coming years, underpinned by a positive rental growth environment, a highly scalable operating platform and an attractive, highly accretive secured development pipeline. The successful delivery of our pipeline, together with our expectations of ongoing rental growth and capacity for further development, could see our earnings per share grow by a further 16 to 21 pence as the pipeline is built.

We are mindful of the uncertain global environment but, at current levels, believe yields are firmly underpinned by the sector's rental growth prospects. Historically, the drivers of student number growth have been largely independent of economic cycles and we expect this to remain the case over the next few years, particularly amongst the UK's stronger Universities where our portfolio is concentrated.

With this backdrop, a strong balance sheet and our planned conversion to REIT status, we are confident that the business remains well placed to deliver attractive shareholder returns.

**MARK ALLAN**
**Chief Executive Officer**
23 February 2016

## CHIEF EXECUTIVE'S Q&A
## MARK ALLAN ADDRESSES SOME TOPICAL QUESTIONS FROM OUR SHAREHOLDERS

### Q HOW WOULD A POTENTIAL EXIT FROM EUROPE AFFECT THE BUSINESS?

A With less than 10% of our students coming from the EU, we are confident that a 'Brexit' would not have a fundamental impact on Unite's operational business. We believe that students from European countries will still want to study in the UK due to the reputation of our Universities and the many positive aspects that attract people to the country, including cultural, economic and historical.

### Q WHAT ARE THE ADVANTAGES AND RISKS TO UNITE OF BECOMING A REIT?

A As a REIT, Unite will join a recognised international investment brand, giving investors confidence in its commitment to its dividend policy and low levels of gearing. Unite will be exempt from tax on rental profits, allowing it to reinvest more of its income in the business.

There are no significant risks to becoming a REIT. Unite will be subject to a regulatory regime set by Parliament and monitored by HMRC.

### Q WHAT DO WE EXPECT FROM OUR COMPETITORS IN THE MARKET?

A We have already seen that the increased interest in the sector has amplified competition for sites and property portfolios, leading to increased purchase costs. This will make expertise in the market all the more important, so that the right price is paid to ensure both fair rents and fair margins.

# CREATING LONG-TERM VALUE

Unite Students is the UK's leading manager and developer of student accommodation. We have over 1,250 employees and work in partnership with around 60 Higher Education providers, as well as letting rooms directly to students. Unite Students' culturally diverse customers are at the heart of our business.

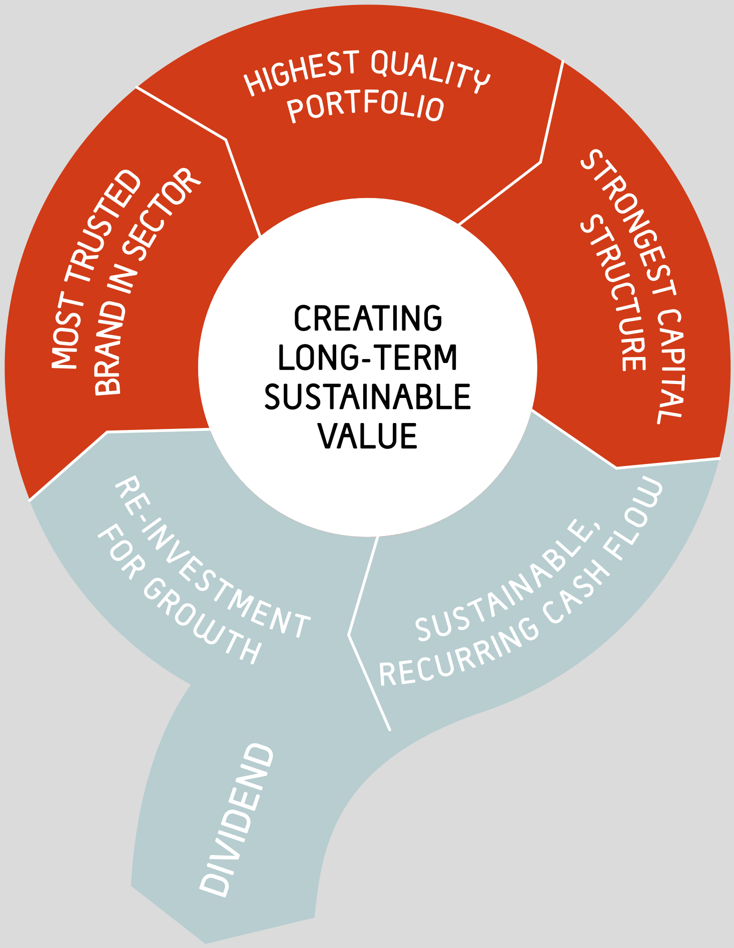
Our competitive advantage is delivered through our scalable operating platform, and our purpose which is to provide a home for students that supports their success – whether that success is defined as academic achievement, personal growth or preparing for the world of work. Our focused business model seeks to deliver low double digit total returns and sustainable, growing cash flows by being the most trusted brand in the sector, having the highest quality portfolio in the sector and maintaining the strongest capital structure in the sector. Delivering great customer service and building strong relationships with our University partners, the communities in which we operate, our customers and employees is crucial to our success.

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

We work strategically with University leaders, using our knowledge and experience to help them with the realisation of their estates' and residences' strategies.

We invest in our employees and support their development, helping them achieve their personal and professional potential.

We work closely with the local community, from the early stages of development and planning to providing opportunities for students living with us to volunteer and bring positive benefits to the area in which they live.




Key beneficiaries of our value creation

**Suppliers**
Over £265 million paid to suppliers of materials and services across the UK.

**Employees**
Over £44 million paid in salaries to 1,250 employees based throughout our 138 properties, and in our offices in Bristol and central London.

**Customers**
We provide a Home for Success for over 46,000 students, provide wellbeing support and encourage them to live more sustainably in line with our values.

**Shareholders**
£31.9 million paid as dividends to shareholders during 2015. Dividends per share of 15.0p.

**Communities**
We launched a national volunteering programme in 2015, allowing every employee a paid day to volunteer for a good cause. We support local and national charities, and through clothing donations alone raised £120,000 for Cancer Research.

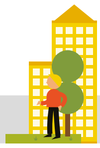
Our charitable trust, the Unite Foundation continued to support young people in the UK who aspire to a degree – but face the most challenging circumstances, providing 125 scholarships throughout the last year.

Related sections
Market overview p18
Our strategy at a glance p16
Key performance indicators p26
Principal risks and uncertainties p31
Corporate responsibility and sustainability p44

OUR RESOURCES AND RELATIONSHIPS

# STRONG RELATIONSHIPS UNDERPIN OUR BUSINESS

Here we describe our key resources and relationships which are material to our business model and strategy.



## UNIVERSITIES AND STUDENTS

Key to our success is the relationships that we have developed with both University partners and students that choose to spend their academic lives with us. We operate in 28 cities and towns across the UK and in 2015 we let 57% of our beds under nominations agreements with Universities.

**How it supports our business model and strategy**

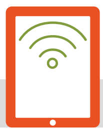
This approach helps us deliver the best possible experience and value that we can for our students, supporting our aim to become the most trusted brand in the sector. We provide an environment that is safe, secure and supports personal and academic achievement for over 46,000 students.

## SUPPLIERS

We work closely with our suppliers to develop relationships that are mutually beneficial, selecting partners that are more suited to our business needs to provide better value. We consider the needs of both the operations and property development parts of our business to achieve better rates and select partners that are most suited to our long term strategy and company values.

**How it supports our business model and strategy**

By selecting the right suppliers to the business we are able to ensure that products fit the needs of the business and provide value for money through economies of scale. Ensuring that our values align also supports our 'most trusted' ambitions by helping to minimize negative environmental, social, communal and economic impacts throughout the lifecycle of procured products, contracted services and works.



## TECHNOLOGY

At Unite Students, we strive to build strategic partnerships with a small but focused number of leading organisations. We look for organisations that are able to demonstrate the quality, experience and agility to add value to our fast moving and dynamic environment.

**How it supports our business model and strategy**

For major IT projects and services, we run competitive tender exercises designed to find the right partner for the long term. This goes beyond the best commercial fit as it is essential that any supplier reflects the values and behaviours of our company. This includes taking a leading role in industry developments, acting with integrity at all times, being value rather than sales driven and offering proactive independent advice.

Vendor management is a crucial part of this process. Following the appointment of a supplier, we conduct ongoing and regular vendor management activities through collaboration between Procurement and IT. This process is designed to not only monitor performance against agreed levels, but to ensure we remain innovative and aware of upcoming trends and advancements.

## GREEN PARTNERSHIPS

We have partnered with the National Union of Students to bring the Green Impact scheme to Unite Students. NUS Green Impact is an environmental accreditation scheme that drives improvements in sustainability, and we are the first and only accommodation provider to run the scheme.

The scheme enables us to offer volunteer opportunities to our students as Green Impact Consultants and Green Impact Auditors, helping them to develop their life skills and career opportunities

**How it supports our business model and strategy**

The actions in our scheme are bespoke to Unite Students and are aligned with our key business targets to ensure that sustainability is fully embedded throughout our entire organisation. Our partnership with the NUS supports our sustainability strategy by giving us external verification for our localised action and accredited sustainability training opportunities for our employees and students. It also enables us to work collaboratively with the Higher Education sector in sustainability.

## EMPLOYEES

The skills, knowledge and capabilities of our employees are central to the success of Unite Students, so we aim to attract talented and motivated people and then help them become outstanding at what they do. That's why we believe passionately in the value of high quality training and development, and because our customers are from all walks of life and from all communities, we recognize that to understand and respect their individual needs and expectations we must aim to have a workforce that reflects their diversity.

Unite understands the benefit of having a happy and motivated workforce who earn a fair salary for their hard work and commitment, and in 2015 we were proud to receive the Living Wage accreditation, a first for our sector. In becoming accredited, Unite Students will continue to work with key suppliers to encourage a Living Wage approach and ensure that regular contractors working at our properties move to paying a Living Wage.

**How it supports our business model and strategy**

We recruit, develop and retain employees in accordance with the following key themes: Resourcing, Reward, Talent and HR Policies and Procedures, Diversity and culture.

We want to enhance business performance by harnessing the increased potential of a diverse workforce that reflects the local communities in which we operate, therefore our People Strategy focuses on supporting the delivery of our business purpose, Home for Success.

# MAXIMISING OUR VALUE CREATION

## OUR STRATEGIC PLAN

| STRATEGIC PRIORITY | PERFORMANCE |
|---|---|
| **Most trusted brand**<br>In 2014, Unite Students launched its new purpose, Home for Success: a significant step change designed to positively impact all students living with us, and help us to become the most trusted brand with students and Universities. Home for Success was introduced with an initial investment commitment of £40m, which has enabled us to provide students with a home that helps them achieve more from their time at University.<br>This investment has been channelled into four key areas of the business; physical, digital, service and people. Since launch, we have made significant progress in delivering on our purpose.<br>Read more<br>Information p20 | • We installed LED lighting in 66 properties, updated 115 common rooms and carried out 250 kitchen refurbishments – all contributing to improving the student experience.<br>• We updated Wi-Fi to a minimum 25MB, introduced a bespoke online shop and launched an additional digital platform, the 'Student Life Hub', to engage with students with content that is relevant, interesting and useful.<br>• Our service satisfaction increased to its highest level ever...again.<br>• We opened an office in Beijing, China and established a web presence in the country. |
| **Highest quality portfolio**<br>During 2015, we continued to develop the quality of our portfolio through developing and delivering on time, disposing of non-core assets and through the acquisition of quality portfolios, in line with our strategy.<br>Read more<br>Information p22 | • We completed two significant developments; Angel Lane in Stratford and Orchard Heights in Bristol – on time and to budget and fully let for 2015/16.<br>• We have five planned properties openings, due Summer 2016 and a further seven schemes to open in 2017 and 2018.<br>• We disposed of two non-core assets.<br>• Asset management activities – £10m lifecycle capital across portfolio<br>• Acquired Ahli United Bank (AUB) portfolio |
| **Strongest capital structure**<br>This year we further strengthened our capital structure via an increase in capital growth in our portfolio and the raising of new equity capital for Unite Group plc and USAF.<br>Read more<br>Information p24 | • In April 2015, we raised £115 million (before fees) of new equity via a placing.<br>• In May 2015, USAF raised £306 million of equity which was used to complete the purchase of the Ahli United Bank (AUB) Portfolio.<br>• USAF continues to be Europe's largest non-listed real estate fund.<br>• Loan-to-value fell to 35% and net debt is now equivalent to 6.9 times EBITDA and we intend to maintain our debt ratios at around current levels. |

## HOW WE MEASURE OUR PROGRESS

**99%** Beds sold

**79%** Highest ever University trust score

**83%** Highest ever customer satisfaction score

**1,234** Beds developed and delivered in 2015

**6,811** Secured bed pipeline

**£115M** Unite Group plc equity raise

**£306M** USAF equity raise

**37%** Total Return

**£49M** EPRA Earnings

Read more
KPIs p26

## FUTURE OUTLOOK

Our strategy is focused on being the most trusted brand in the sector, and to continue to invest in our brand and build upon our heritage dating back 25 years.

We remain committed to the continued development of our digital platforms and our people, and will continue to focus on the relationship between accommodation and success at University. We will further develop our physical and online presence in China having opened our marketing office in Beijing.

We are committed to sourcing the best development opportunities, in the strongest locations, and to carefully managing our existing estate in order to benefit our students and business.

We will continue to regularly review the quality of our existing buildings and invest to make sure they provide the best accommodation for our students and are operationally and environmentally efficient.

We remain committed to maintaining the strongest capital structure and delivering attractive returns to our shareholders. We recognise that as the competitive environment continues to evolve, strong University partnerships will be crucial to success and therefore our portfolio and pipeline will remain focused on Universities with the strongest growth prospects.

As demand continues to outstrip supply, we will continue to utilise our scalable operating platform, accretive development pipeline and strong, flexible balance sheet, as we acknowledge that they underpin our longer term prospects for growth.

We will continue to strengthen our debt position through utilising diversified sources and maintaining a balanced maturity profile.

## OUR STRATEGIC RISKS

**Market risks**
- Reduction in demand driven by government policy or other macro events.
- Reduction in demand due to change in patterns of study through enhanced use of technology.
- Increase in supply with increasing interest in the performance and appeal of the purpose built student accommodation (PBSA) sector.

**Operational risk**
- Major health and safety (H&S) incident in a property or a development site.

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

**Property market cycle risk**
- Property markets are cyclical and performance depends on general economic conditions.

**Financing risk**
- Expiring debt facilities cannot be replaced or only at high cost and/or adverse interest rate movements.

Read more
Principal risks and uncertainties p31–34

# THE LEADING PLAYER IN A GROWING MARKET

## OVERVIEW

Over the last year we have seen an increase in the number of students attending UK Higher Education, with a record 532,265 students accepting places, some 3.9% higher than in 2014. This represents a year-on-year increase of around 92,00 students. Over the last ten years the number of students accepting places in the UK has increased by 36%. We fully expect the demand for UK Higher Education to remain solid, both from domestic and international students.

There are, of course, practical constraints to accelerating supply such as planning, London land prices and city centre site availability, however we have seen growth beginning to accelerate, and we estimate c.30,000 new beds per annum for next few years.

There has been a continuation of the global trend for studying abroad, and we have seen the UK's market share increasing, with a particular alignment to stronger HE institutions.

The strong performance and continued positive outlook for student numbers is also underpinned by the removal of the student cap. Unite's customer base is focused on UK first years and international students, with 85% of students falling into this category, and these segments are best suited to purpose built accommodation.

**Market Fact:** Over the last ten years the number of students accepting places in the UK has increased by 36%.

**Unite Fact:** We estimate c.60,000 additional students and c.30,000 new beds per annum for next few years.

## WHAT'S DRIVING THE DEMAND FOR STUDENT ACCOMMODATION

There remains a supply/demand imbalance, with University stock levels flat and the private rented sector facing tougher regulations. Unite's proposition of providing a 'Home for Success'; a safe and secure home, with all-inclusive pricing, free communal kitchen and bathroom cleaning, high speed broadband, close to city-centre locations and great transport links is certainly resonating with customers, and the company already has 67% occupancy for the 2016/17 year, following the performance in 2015/16 when bed sales hit 99%.

**Market Fact:** We estimate growth of c.60,000 students per annum for the next few years, focused on stronger Universities

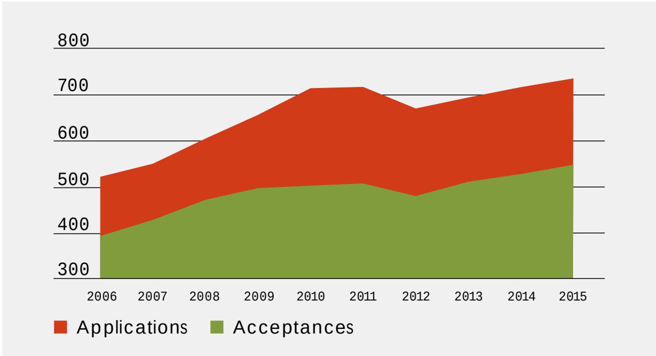
**Unite Fact:** Strong student number outlook: Unite already has 67% reservations for 2016/17

## APPLICANTS AND ACCEPTANCES

Whilst year-on-year we have seen an increase in applications of 2.7% and in acceptances by 3.9%, this has again equated to the highest ever student intake, standing at over 532,000 students. Over the last ten years we have seen the number of applications rise by 42% and acceptances by 36%.

## APPLICANTS AND ACCEPTANCES

THOUSANDS



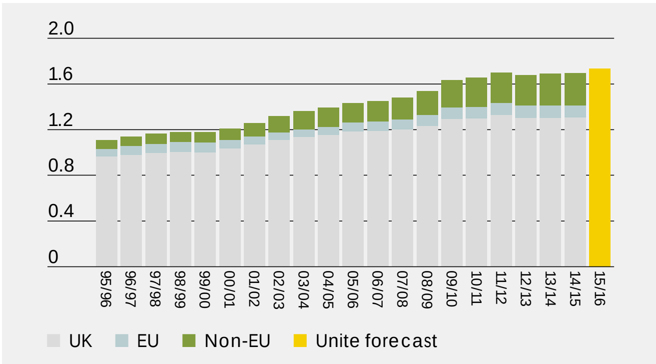

We expect the removal of the student cap will allow the continued growth of these numbers.

**Market Fact:** Acceptances in 2015 were at their highest level ever, standing at 532,265

**Unite Fact:** Unite is the largest provider of student accommodation in the UK, with 46,000 beds

## FULL TIME STUDENT NUMBERS

MILLIONS




## GOVERNMENT POLICY

The UK government's policy is supportive of student number growth. We have seen student numbers more than double since 1991, which has been driven by government policy, demographics and global mobility.

The government removed the cap on UK/EU student numbers from 2015/16, which has resulted in an increase of 92,000 in the total student population.

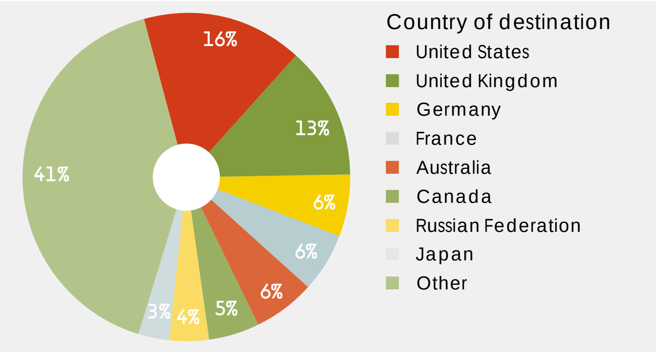
Whilst a departure from the EU remains a risk, with less than 10% of our students coming from the EU, we are confident that a 'Brexit' would not have a fundamental impact on Unite's operational business.

**Market Fact:** 180,000 more applicants than places in 2015/16

**Unite Fact:** c.34% of Unite customers are international

## INTERNATIONAL STUDENT MOBILITY 2012

### 4.5 MILLION INTERNATIONALLY MOBILE STUDENTS WORLDWIDE




In China, our marketing office is now fully operational with four full-time team members and our online presence in China has been established. We have also started to create meaningful relationships with both local and British Universities in China as well as providing important support to our Chinese customers and their family members before they travel to the UK and to when they are here.

**Market Fact:** There has been a continuation of the global trend for studying abroad, with the UK's market share increasing

**Unite Fact:** Unite has opened its China office, to provide a greater service to students and their families, easing their transition to UK University life

## STRONGER UNIVERSITIES GROWING FASTER

Student numbers are continuing to increase strongly, supported by uncapped enrolment and a large surplus of applicants over places. In 2015/16 UCAS reported the strongest growth in student numbers at high and mid tariff Universities, with lower tariff Universities growing more slowly.

Unite's portfolio and pipeline is focused on those Universities with the strongest growth prospects, with 85% of our bed spaces located at stronger institutions. Strong University partnerships are crucial to our success, and we continue to invest meaningfully in our Higher Education sector relationships. Our Universities Partnerships team is dedicated to building strong working relationships with key University partners and this approach has seen us incorporate University requirements into new developments and driven the growth in the number of beds under nominations agreements. In 2015 we secured 57% nominated rooms across the portfolio, and we have witnessed a trend towards longer term agreements, which is a reflection of the strength of our brand and the relationships we have with our partner Universities.

**Market Fact:** Student numbers have doubled since 1991

**Unite Fact:** Unite's University trust scores are at their highest levels ever at 79%

## HOW UNITE DIFFERENTIATES ITSELF

The high levels of investor interest in the student accommodation sector is likely to lead to greater competition from other accommodation providers, which we have started to witness over the last twelve months.

Over recent years we have used our in depth knowledge of the sector to position ourselves favourably in the local markets that are best placed for ongoing growth. We believe this, together with our valuable brand and relationships, leaves us well placed to continue performing strongly in the coming years.

Unite's strong brand and scalable operating platform are key areas of competitive advantage and key differentiators. Our clear purpose, 'Home for Success', has allowed is to continue to deliver a consistent, focused strategy:

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

Our all-inclusive range of price points, high standard and delivery of relevant and valued services (such as high-speed Wi-Fi, 24/7 customer service, multi-lingual telephone contact, free communal kitchen and bathroom cleaning), city-centre locations and choice of direct-let and University contracts, through strong University partnerships, continues to differentiate Unite from its competitors.

# MOST TRUSTED BRAND

WITH OVER 46,000 BEDS, UNITE STUDENTS LEADS THE WAY IN CREATING SAFE, GOOD QUALITY HOMES FOR STUDENTS AND IS THE LARGEST PROVIDER OF PURPOSE BUILT STUDENT ACCOMMODATION IN THE UK. WE AIM TO PROVIDE A HOME FOR SUCCESS.

In order to maintain our position and achieve long-term success, our aim is to become the 'most trusted brand' with students and Universities, through our actions, performance and properties.

In 2014, Unite Students launched a new purpose, Home for Success: a significant step change designed to positively impact all students living with us. Home for Success was introduced with an initial investment commitment of £40m, which has enabled us to provide students with a home that helps them achieve more from their time at University.

This investment has been channelled into four key areas of the business; physical, digital, service and people, and since launch we have made significant progress in delivering on our purpose.

## PROGRESS

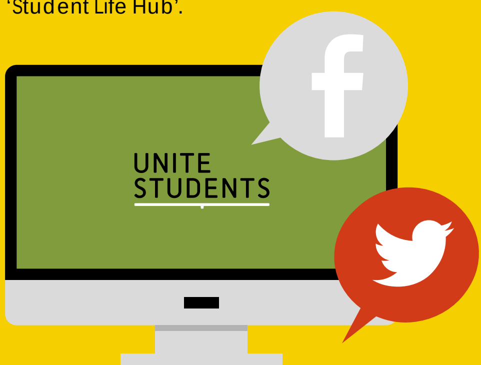
We have committed £21m to installing LED lighting in all of our properties, which is resulting in lower carbon emissions and significant energy savings; in fact it should reduce our energy consumption by 15%. By the end of 2015 we had completed the installation of LED lighting in 66 properties.

The new lighting will provide a far better quality of light that is more conducive to study and sleep and has a positive impact on students and employees.

We have also instigated noise management improvements in our cities, and a programme of refurbishment works, with 115 common rooms updated with study and social spaces to improve the student experience. All common rooms and reception areas will be completed by summer 2016.

## A GROWING DIGITAL WORLD

Digital engagement is central to most students' lives and so in addition to continuing to make progress with our 'My Unite' app and our social media engagement with students, we have also introduced an online shop offer and an additional digital platform, called 'Student Life Hub'.




We have partnered with John Smith's, the UK's leading student services provider, to give our students access to a bespoke online shop, packed with highly competitive products to support them through their time at University. The tailor made Unite Student store offers access to over four million books and eBooks, a wide range of student essentials and exclusive offers on everything from bikes to cutting edge technology.

The Student Life Hub aims to engage with students with content that is relevant, interesting and useful. It includes:

- Everyday basics from logging a maintenance request to accessing out-of-hours support to 'how to' advice
- Wellbeing advice on alcohol, drugs, mental and sexual health
- Life skills such as how to negotiate with flatmates and manage finances
- Lifestyle content, including student-created blogs and features

Students are directed to the hub when they log into the Wi-Fi in their property and they can also access it on mobile devices.

## ENCOURAGING ENDORSEMENTS

Over the last year we have received extremely positive endorsements across the board for not just our performance, but the way in which we have performed. Highlights have included:

- Our highest ever independent customer satisfaction score
- Our highest ever trust score received from our University partners
- Another strong employee effectiveness survey score, showing further year-on-year improvement

We were also named as the Student Accommodation Operator of the Year at the RESI Awards for the second time in three years, received the Education Investor Award for Student Accommodation Fund, and received 12 Bronze NUS Green Impact Awards for our environmental work. This is in addition to the other environment achievements that are referenced in the CR&S report on page 44.

## UNIVERSITY ENGAGEMENT AND PARTNERSHIP

We have a dedicated University Partnership team that is committed to working with our 60 University partners for the benefit of our students. By working closely together we share our understanding and expertise to jointly provide a supportive environment to help our students achieve their potential. In the last year this dedication to working in partnership has resulted in our highest ever University trust score of 79%.

# HIGHEST QUALITY PORTFOLIO

WE AIM TO OPERATE THE HIGHEST QUALITY PORTFOLIO THROUGH CONSISTENT INVESTMENT IN AND IMPROVEMENT TO OUR OPERATING PLATFORM, HIGHLY SELECTIVE DEVELOPMENT ACTIVITY, ASSET MANAGEMENT INITIATIVES AND PORTFOLIO RECYCLING.

## ANGEL LANE, STRATFORD

We extended our growing partnership with King's College London, who we already provide over 1,000 beds to, with the opening of a new landmark property in the heart of this exciting, rejuvenated area of London. The Angel Lane opening provides a 759-bed solution to a key challenge facing King's: a need for more purpose-built student accommodation to support growing student numbers.

Angel Lane is a further example of Unite delivering a complex project on time and to budget in a sought-after location. Our partnership approach meant that we could again demonstrate our ability to successfully put students' needs at the centre of what we do, and delivering a further property in this exciting area of London gives students another accommodation option, ensuring they get value for money and the best environment to succeed.

## ANGEL LANE FACTS

Angel Lane was built with a large common room and shared spaces as feedback from our students has put real importance on these spaces offering opportunities to make friends and making the most of University life.

- Fully occupied Angel Lane has a mass of about 34,000 tonnes – equivalent to over 100 jumbo jets
- The floor area of the building is 24,000m$^2$ – around five football pitches
- There are 6,707 bulbs
- This building is 41 metres high

ANGEL LANE IS A FURTHER EXAMPLE OF UNITE DELIVERING A COMPLEX PROJECT ON TIME AND TO BUDGET IN A SOUGHT-AFTER LOCATION.

## ORCHARD HEIGHTS, BRISTOL

Orchard Heights is our first new property in Bristol since we opened Phoenix Court in 2007, and our first co-branded property in the city. Working in partnership with the University of Bristol, Orchard Heights is fully occupied for the 2015/16 academic year. However before a bedroom could be sold, pioneering engineering skills were required, as the 484-bed property is built above a popular music venue, the O2 Academy Bristol, and there was a clear requirement to prevent students being disturbed by noise caused by concerts hosted at the venue.

The construction required the creation of a 'transfer deck' – a 45-metre slab of special concrete sitting above the arena – carrying the 25,000 tonnes of weight to the ground and foundations.

The property incorporates a music room, kitchen, breakout rooms and over 800 square metres of social and study space.

Orchard Heights is co-branded with the University of Bristol logo and artwork, and houses University residents making it our first property to operationally and physically reflect the close relationships we build and sustain with our Universities.

Over 3,400 of Bristol's students – around 10% of the city's total – make Unite their home in our 15 properties in the city.

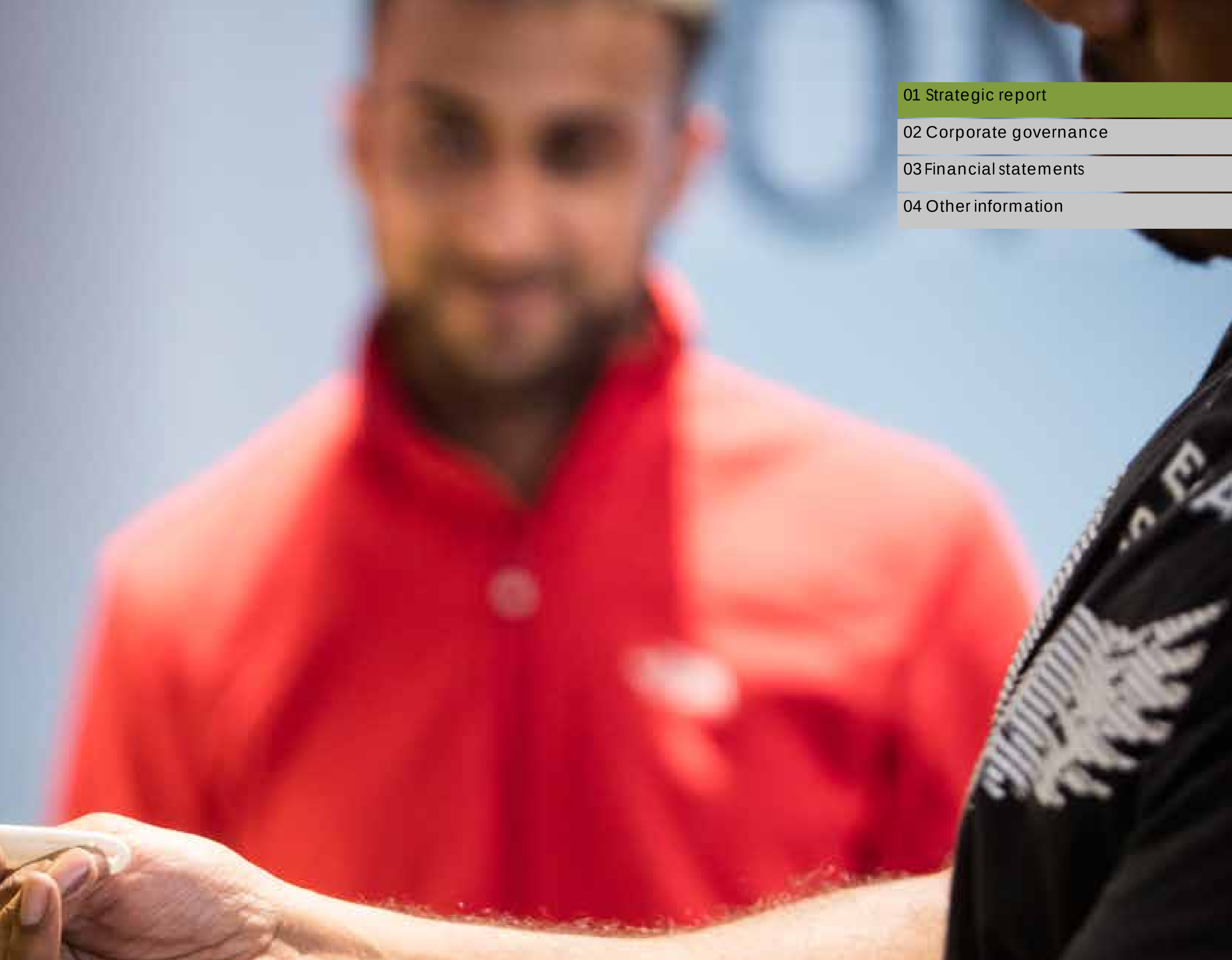
At Unite Students, we source the best development opportunities, in the strongest locations, and carefully manage our existing estate in order to benefit our students and business. We regularly review the quality of our existing buildings to make sure they provide the best accommodation for our students and are operationally efficient.

## 2016 PIPELINE

- 862 beds in Stapleton House, London
- 699 in Olympic Way, Wembley
- 836 beds in Greetham Street, Portsmouth
- 399 beds in Causewayend, Aberdeen
- 286 in Far Gosford, Coventry

# STRONGEST CAPITAL STRUCTURE

THIS YEAR OUR CAPITAL STRUCTURE STRENGTHENED FURTHER, VIA AN INCREASE IN CAPITAL GROWTH IN OUR PORTFOLIO AND THE RAISING OF NEW EQUITY CAPITAL.



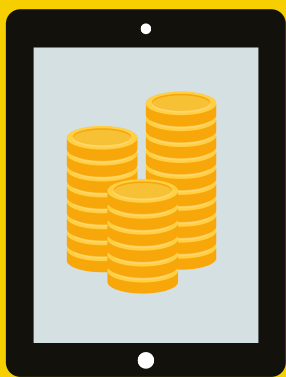
The year has seen high levels of investor demand for student accommodation assets with over £5 billion of transactions completed in 2015. This level of activity has resulted in upward pressure on asset prices.

Our property portfolio increased – value from £1.6 billion in 2014 to £2 billion in 2015. This increase was driven by rental growth, yield compression new openings and acquisitions.

In April 2015, we raised £115 million (before fees) of new equity via a placing. Approximately half of the proceeds were invested in acquiring new USAF units, in which our stake is now 23%, as part of a wider £306 million capital raise by the fund. The remainder of the proceeds was used to progress our 2018 development pipeline in targeted regional locations.

In May 2015, USAF raised £306 million of equity which was used to complete the purchase of the Ahli United Bank Portfolio on 30 June for £271 million. The eight assets, comprising 2,100 beds, are located in strong student markets and complement the existing USAF portfolio. As part of the fund raise, USAF broadened and diversified its investor base with Allianz Real Estate acting as a cornerstone investor, investing £100 million and a further £14 million from other new institutional investors.

A modest increase in net debt in contrast to our markedly increased portfolio value saw our loan-to-value ratio fall sharply from 43% to 35% on a see through basis. Net debt is now equivalent to 6.9 times EBITDA and we intend to maintain our debt ratios at around current levels.



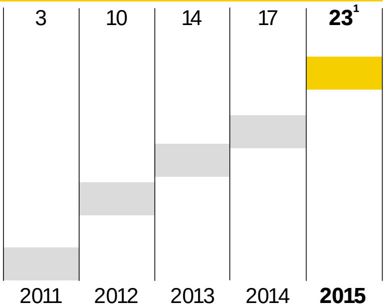
KEY PERFORMANCE INDICATORS (KPIs)

# MEASURING OUR PROGRESS

## FINANCIAL KPIs

### EARNINGS PER SHARE*
PENCE

ALIGNMENT TO STRATEGY
- Most Trusted Brand
- Strongest Capital Structure




[1] 2015 EPS of 23p based on adjusted EPRA earnings

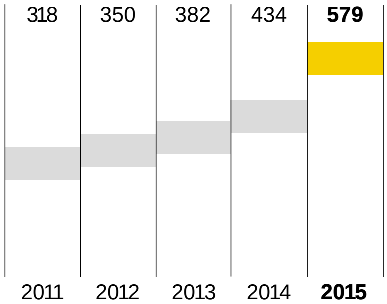
**MEASURE**
Our EPRA earnings KPI is a measure of profit per share in line with EPRA guidelines.

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

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

### NET ASSET VALUE*
PENCE PER SHARE

ALIGNMENT TO STRATEGY
- Most Trusted Brand
- Highest Quality Portfolio
- Strongest Capital Structure



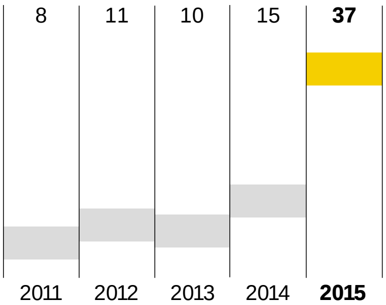

**MEASURE**
Our EPRA NAV per share measures the market value of properties and developments less any debt used to fund them plus any working capital in the business.

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

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

### TOTAL RETURN
%

ALIGNMENT TO STRATEGY
- Most Trusted Brand
- Highest Quality Portfolio
- Strongest Capital Structure



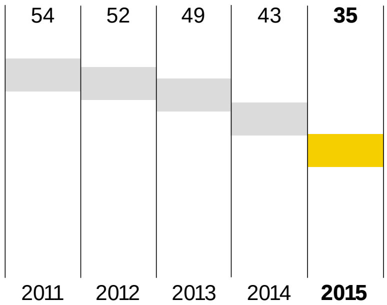

**MEASURE**
The total return to shareholders is the ratio of growth in EPRA NAV plus dividends paid as a percentage of opening EPRA NAV.

**COMMENTS**
Total return has averaged over 16% in the last five years, driven by the growth in recurring earnings, NAV growth and dividends. The performance in 2015 was enhanced by yield compression across the property portfolio. Maintaining a strong total return from our portfolio is a result of our business model and delivery of our strategic priorities.

**TARGET**
Continue to deliver low double digit total returns.

### LOAN TO VALUE RATIO
%

ALIGNMENT TO STRATEGY
- Strongest Capital Structure




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

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

**TARGET**
To maintain LTV around the mid 30% level.

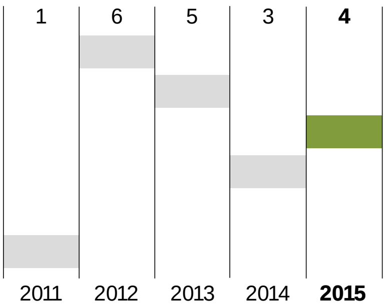
* Results are based on the European Public Real Estate Performance measures.

# OPERATIONAL KPIs

## SAFETY

ALIGNMENT TO STRATEGY

Most Trusted Brand




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

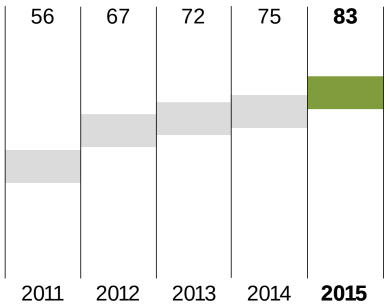
### COMMENTS
Our Accident Incident Management System (AIMS), has provided us with greater visibility on our incident reporting, enabling us to implement new ways of working that have improved efficiency. Safety is a high priority within our business and supports our strategic priority to be the most trusted brand in the sector.

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

## CUSTOMER SATISFACTION

ALIGNMENT TO STRATEGY

Most Trusted Brand




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

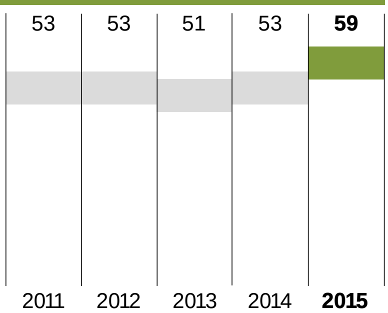
### COMMENTS
The improvement in customer satisfaction over the last few years reflects the drive to put our customers at the heart of everything we do and achieve on our strategic priority to build the most trusted brand in the sector.

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

## EMPLOYEE EFFECTIVENESS %

ALIGNMENT TO STRATEGY

Most Trusted Brand




### MEASURE
We have an employee survey tool, run by the Hays Group, called Employee Effectiveness. The report examines factors beyond satisfaction, looking at both employee enablement and engagement. We have converted our five-year record to reflect the new scoring system introduced in 2014 and going forward this will provide the benchmark for the Group.

### COMMENTS
This year we achieved our highest ever survey participation rate. Our new survey results provided detailed insight into the motivations and drivers of our employees and positions us 11% above the General UK Industry Benchmark (48%) and 4% ahead of the High Performing Industry Benchmark (55%) in our second year. Our ongoing focus to continue improving employee effectiveness will enable Unite to improve the management of the business model and deliver our strategic priorities.

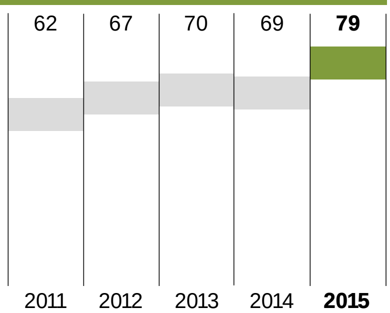
### TARGET
We aim to increase the employee effectiveness percentage above the 60% threshold.

## HIGHER EDUCATION TRUST

ALIGNMENT TO STRATEGY

Most Trusted Brand

Highest Quality Portfolio




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

### COMMENTS
Understanding what our Higher Education partners need from us, both for themselves as institutions and for their students, is a vital part of improving our level of service to become the most trusted brand in the sector. The overall score has fallen by one point and whilst our Higher Education partners welcomed the Home for Success announcement, we now need to deliver on our commitments for this to be reflected in our score.

### TARGET
We aim to reach the mid 80% level within the next three years.

RISK MANAGEMENT

# ROBUSTLY AND EFFECTIVELY MANAGING RISK

## DETERMINING OUR RISK PROFILE TO SUPPORT OUR ROBUST ASSESSMENT AND VIABILITY STATEMENT

Following the 2014 changes to the Corporate Governance Code and to support the Board in its robust assessment of the principal risks facing the Group and its ongoing longer term viability, the Board conducted a review of the Group's risk profile during 2015.

This risk profile review involved both a top-down approach (the Board considered a wide range of strategic and emerging risks and the extent to which these could impact the Group) and a bottom-up approach (the Board scrutinised the risks identified in the Operations and Property Business units, as well as financing and treasury risks, and considered whether these are principal risks). In addition, the Risk Committee conducted an externally facilitated exercise (a "pre-mortem") to help it step back and consider potential risks which may not have yet been identified. The Risk Committee brought the results of this exercise to the Board for its consideration and challenge.

This process identified four categories that comprise the Group's risk profile:

| | |
|---|---|
| Market risks | Operational risks |
| Property/ Development risks | Financing risks |

These risk categories are consistent with the principal risks identified in prior years although the following movement in specific risks – reflecting the changing external environment and business activities – were identified:

| Risk profile category | What happened in 2015 |
|---|---|
| **Market risks (supply)** **Property/ Development risks** | A record volume of PBSA assets were traded during the year. We expect this to lead to greater operational competition and additional capital being committed to new supply over the next few years. |
| **Market risks (demand)** | 2015 started with political uncertainty before the May UK General Election. This uncertainty dissipated with the Conservative victory in the General Election but was replaced with uncertainty due to the EU referendum.<br><br>Continued growth in student numbers supported by Government policy, with stronger growth in the higher ranked Universities. |

The individual principal risks across these four risk categories are detailed on pages 31 to 34.

## SETTING OUR RISK APPETITE

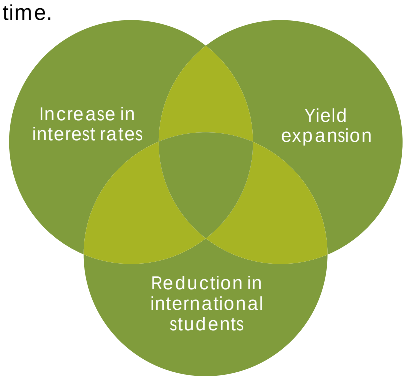
Risk – and our risk appetite – is not considered in isolation but as an integral part of the Board's strategy setting the annual budget. Our risk appetite is underpinned by our principal financial aim to continue delivering sustainable growth in recurring profits and cash flow for the long term. To deliver this, the Board ensures governance of those risks which would prevent us delivering our three strategic objectives:

| Strategic objective | Principal risks |
|---|---|
| **Most trusted brand in the sector** | The health, safety, wellbeing and security of the 46,000 students who make Unite Students their home is the foundation to our reputation and continued focus on health and safety is key to building and maintaining this trust.<br><br>The risk of customer demand reducing or supply increasing underlines why developing the most trusted brand in the sector is critical for our long term success. |
| **Highest quality portfolio** | Increasing competition and customer expectations underlines the importance to constantly improve our portfolio, whilst navigating site selection, development/planning risks and build cost inflation as well as disposal risks. |
| **Strongest capital structure** | Maintain a timely approach in arranging new debt and extending debt maturities, reducing the cost of funding, diversifying our funding sources and introducing new lenders to the Group. Secure a strong balance sheet with appropriate levels of leverage and liquidity to ensure the business can withstand any property cycle. |

## STRESS TESTING OUR RISK COMBINATIONS

Each year, the Board develops and refreshes the Group's Strategic Plan, which is based on detailed three year financial projections and related scenario planning and rolls forward for a further two years using more generic assumptions. Having regard to our risk profile and conscious that risk events do not necessarily happen in isolation, the Board stress tested our model against various multiple combined risk events.

A base case and stress tested Strategic Plan was developed to help with this scenario planning. The stress tested Strategic Plan considered a material rise in long term interest rates together with yield expansion and a material decline in international students and also a combination of all these events occurring at the same time.



## ENSURING RISK MANAGEMENT OWNERSHIP THROUGH OUR CULTURE

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

The organisation has an open and accountable culture, led by a stable and experienced leadership team who have operated in the sector for a number of years. This culture is set by the Board in the way it conducts its Board and Committee meetings and cascades through the organisation enabling the same culture for risk management. The culture of the organisation recognises – and accepts – that risk is inherent in business and encourages an open and proactive approach to risk management, as opposed to a blame culture.

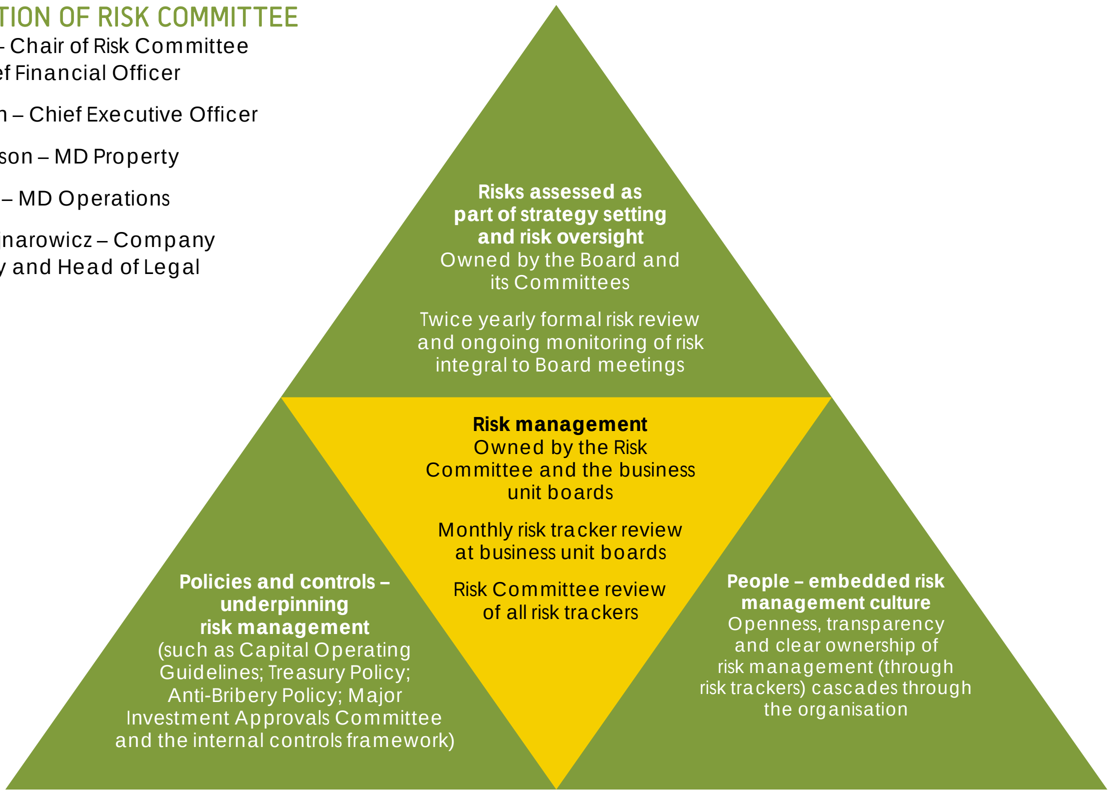
## RISK MANAGEMENT FRAMEWORK

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

- Risks are considered by the Board as an intrinsic part of strategy setting and consideration of new opportunities – risk is recognised as an inherent part of each opportunity
- A twice yearly formal review by the Board of principal risks, how they are changing and consideration of emerging risks
- Risk Committee reviews the principal risks that the Group is facing or should consider
- Specific risk management in dedicated Board sub-committees allowing focus on specific risk areas (for example, the Audit Committee and Health & Safety Committee)
- Risk Committee scrutiny and challenge of business unit risk management activity allowing a focused forum for risk identification and review
- Board directors also sit on business unit boards and thus provide the Board with direct line of sight to business unit risk management activity
- Risk assurance through external and internal auditors as well as specialist third party risk assurance where appropriate (e.g. specialist independent health and safety compliance in the Operations and Property business units)

## COMPOSITION OF RISK COMMITTEE

- J J Lister – Chair of Risk Committee and Chief Financial Officer
- M C Allan – Chief Executive Officer
- R C Simpson – MD Property
- R S Smith – MD Operations
- C R Szpojnarowicz – Company Secretary and Head of Legal



## KEY RISK INDICATORS (KRI's) LINKED TO OUR KPI's AND OUR THREE STRATEGIC OBJECTIVES

| Strategic objective | KRI's |
|---|---|
| **Most trusted brand** | Customer satisfaction scores |
| | University trust scores |
| | % Noms v. Direct Let |
| **Highest quality portfolio** | Net Asset Value |
| | Age asset |
| | Occupancy |
| | Rental Growth |
| **Strongest capital structure** | Net debt |
| | See through LTV |
| | Net debt : EBITDA |

## ROBUST ASSESSMENT OF PRINCIPAL RISKS

The directors confirm that they have conducted a robust assessment of the principal risks facing the Group. The process for how the Board determined these principal risks is explained above and the specific principal risks are detailed on pages 31 to 34.

## VIABILITY STATEMENT

The directors have assessed the viability of the Group over a three year period to December 2018, taking account of the Group's current position and the potential impact of these principal risks. Based on this assessment, the directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to December 2018.

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

The financing risks of the Group are considered to have the greatest impact on the Group's financial viability. The two principal financing risks for the Group are the Group's ability to arrange new debt/replace expiring debt facilities and adverse interest rate movements. The Group has currently secured funding for the future development pipeline and prepares its Strategic Plan on a fully funded basis, and the Group manages its hedge exposure with interest rate swaps and fixed rate facilities.

# PRINCIPAL RISKS AND UNCERTAINTIES

**Market risks**
1. Reduction in demand driven by Government policy or other macro events.

**Possible events**
EU referendum impacting numbers of students coming to study in the UK.

Changes in Government policy on HE funding.

Immigration policy changes affecting student numbers and behaviour.

**Impact**
Departure from EU impacting EU research grants and EU students coming to the UK.

May reduce demand and hence profitability and asset values.

**What has happened during the year**
Student numbers in the UK continue to grow, supported by Government policy and the removal of the student number cap (up 3.9% for 2015/2016 with 532,000 applicants awarded places at UK Universities, 92,000 higher than last year).

The total number of applicants in 2015 grew by 3.7% to 718,000 with applicants outstripping available places by over 180,000. Stronger growth in the higher ranked Universities.

During 2015, we have seen Universities more confident in their student numbers and engaging with us earlier in the booking cycle. Nominations accounted for 57% of our beds in 2015 (2014: 53%).

At Unite Students, occupancy of 99% (2015/2016) compared to 99% (2014/2015) but with more beds (46,000 at 31 December 2015 as compared with 43,000 at 31 December 2014). Increase in overall student numbers is translating to more students staying at Unite.

**Strategic objective:**
Building the **most trusted brand** in the sector is key to helping us through any reduction in demand (as well as ensuring we have the highest quality portfolio and strongest capital structure to manage any demand deficit).

**Risk management:**
Ongoing monitoring of Government policy and its impact on, and forecasts of, UK, EU and international student numbers studying in the UK whilst in parallel regularly reviewing our portfolio to ensure we have the highest quality portfolio, appropriately sized and in the right locations.

**Mitigation in 2015**
Conducted externally led policy review of macro trends in the HE sector to better understand policy environment for student and University funding.

Through implementation of Home for Success – our core purpose to provide environments that help students achieve more during their time at University – we are seeing higher customer satisfaction and University trust scores at their highest ever levels (see page 27)

**Focus for 2016**
Refining our product and service to further align with our two main customer groups (UK first year and international students).

**Market risks**
2. Reduction in demand due to change in patterns of study through enhanced use of technology.

**Possible events**
MOOCs – Massive Open Online Courses.

Shorter/more semester-led courses.

**Impact**
Reduced demand for all year round student accommodation in the longer term resulting in lower profitability and asset values.

**What has happened during the year**
During 2015, we continued to develop our operational platform to support more flexible tenancies – this would help us manage changes in patterns of study.

**Strategic objective:**
Building the **most trusted brand** in the sector is key to ensuring we have relationships with the strongest Universities (these are more likely to lead and sustain changes in study pattern).

**Risk management:**
Ongoing monitoring of the evolution of digital learning and ensuring we partner with the right Universities.

**Mitigation activity in 2015**
Continued investment in market knowledge and building on our relationships with the strongest Universities, driven by Home for Success and our University Partnerships team.

**Focus for 2016**
Continued focus on Home for Success and our three key strategic objectives as well as our focus on partnerships with stronger Universities.

# PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

## Market risks

3. Increase in supply with increasing interest in the performance and appeal of the PBSA sector.

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

**Impact**
More competition for the best sites where there is over-supply, and resulting price competition/cutting in those markets.

**What has happened during the year**
Record levels of PBSA assets traded in 2015 (£5.5bn 2015).

During 2015, continued roll out of Home for Success and increasing percentage of beds (57% in 2015) filled with nominations (see page 37).

Opening of two properties in 2015 co-branded with the Universities (University of Bristol and King's College London).

**Strategic objective:**
Building the most **trusted brand** in the sector as well as having the **highest quality portfolio** is critical to mitigating any supply surplus.

**Risk management**
We continue with our focus and strategy on:

- markets with supply/demand imbalance
- exposure to best Universities underpinned with nominations deals for both 2015 deliveries
- investment in our brand and student experience – creating better environments within our new developments through Home for Success initiative
- maintaining strong relationships with key HE partners

**Focus for 2016**
Continued focus on our portfolio in the towns and cities with the strongest growth prospects and using our scalable operating platform to differentiate our brand and offer consistently high levels of service to students and Universities alike.

Ensuring a strong yet flexible capital structure so we can adapt appropriately as supply grows.

## Operational risks

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

**Possible events**
Fatality or major injury from a fire or other incident at a property.

Multiple contractor injuries at a development or operational site.

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

**What has happened during the year**
Rolled out Keep uS Safe campaign as well as a fire safety campaign to students. Improved contractor management by establishing 'Safe Contractor' system.

In our development activity, good performance against our KPIs with zero reportable accidents across our seven schemes and a KPI of 2.06 for non-reportable accidents. For more details, see Health and Safety Committee report, page 68.

**Strategic objective:**
Ensuring the health and safety of our customers, contractors and employees is fundamental to us building the **most trusted brand** in the sector.

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

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

**Mitigation in 2015**
Regular internal and external audits of our properties.

Continuous improvement of safety critical systems (informed by AIMS, our electronic incident reporting system) as well as planned preventative maintenance.

Collaton Safety Management inspect our development sites on a monthly basis.

**Focus for 2016**
Review our H&S management system to identify further continuous improvement opportunities – focusing on policies for security, safe guarding and emergency preparedness and response.

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

**Possible events**
Site acquisition risk – increasing competition for the best sites pushes up prices.

Planning risk – delays or failure to get planning.

Construction risk – build-cost inflation as the economy improves.

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

Our two 2015 schemes (Orchard Heights, Bristol and Angel Lane, Stratford) were delivered on time and to budget and are fully let for the 2015–16 academic year.

2016 regional development pipeline on track with three properties (Aberdeen, Coventry and Portsmouth) expected to be fully let for 2016/2017 academic year. In London, LSAV will deliver two schemes (Stapleton House, Islington and Olympic Way, Wembley) in 2016 (see page 41).

2017 and 2018 pipeline – anticipated to deliver around 3,900 beds.

Read more
See pages 22-23 on 2015 construction partner activity – Angel Lane and Orchard Heights.

**Strategic objective:**
Operating the highest quality portfolio.

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

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

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

**Mitigation in 2015**
Regular Development team and Property review, with Group Board director oversight to ensure failure to secure sites or complete on time are managed in the budget. Detailed planning pre-applications and due diligence before site acquisition.

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

**Focus for 2016**
Main focus will be on delivering multi-location developments and securing pipeline for 2019.

**Property/Development risks**
6. Property markets are cyclical and performance depends on general economic conditions.

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

**Impact**
Reduction in asset values reducing financial returns.

**What has happened during the year**
During 2015, record volumes of PBSA portfolios traded (£5.5bn).

The value of the Group's investment portfolio (including our share of co-investment vehicles) increased to £2,065 million as at December 2015 (31 December 2014: £1,624 million) with the average portfolio yield falling 70bps to 5.55%.

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

Customer satisfaction at highest ever levels supporting rental growth and our portfolio value.

**Strategic objective:**
Operating the highest quality portfolio.

**Risk management**
Group Board and Property business unit ongoing monitoring of property market, direction and values. Forecast rental growth and recurring profit offsets any yield movement.

Ensuring we have a strong yet flexible capital structure so we can adapt appropriately to market conditions. Clear and active asset management strategy.

**Mitigation in 2015**
Disposals – ongoing monitoring of our entire portfolio with selective disposals to benefit from keener prices in the market.

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

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

**Focus for 2016**
To continue to acquire sites in line with Group hurdle rates and to procure contracts in line with budgets.

**Financing risks**
7. Unable to arrange new debt or expiring debt facilities cannot be replaced or only at high cost and/or adverse interest rate movements.

**Possible events**
Unite breaches a loan covenant or fails to replace debt on expiry.

Interest rate increase.

**Impact**
If unable to replace debt, then possible forced sale of assets potentially leading to sales below valuation. Slowdown of development activity. Reduced level of profitability.

Adverse rate movements can lead to reduced profitability and reduction in property values (through resulting expansion of valuation yields and lower valuations).

**What has happened during the year**
LTV ratio fell from 43% to 35% (on a see through basis) during 2015 as our portfolio value increased markedly in contrast to the modest increase in net debt.

During 2015, net debt grew by £34 million (4.9%) to £731 million on a see through basis with our significant capital expenditure programme substantially funded by asset disposals, retained profits and new equity. Net debt is now equivalent to c. 6.9 times EBITDA and we intend to maintain our debt ratios at around current levels.

During 2015, our average cost of debt has fallen to 4.5% from 4.7% and expect it to fall further by the end of 2016 as a proportion of forward starting swaps become effective.

**Strategic objective:**
Strongest capital structure.

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

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

Interest rates monitored by the Funding team as an integral part of our refinancing activity – owned by the Chief Financial Officer and with Group Board oversight.

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

**Mitigation in 2015**
Regular and reliable engagement with lenders.

With a benign interest rate environment, we have taken advantage of historically low rates (both on new debt and also entering into forward starting interest rate swaps locking in rates for our 2016 and 2017 development pipeline).

**Focus for 2016**
We are making good progress arranging a new facility to replace our Lloyds facility (USAF). We intend to secure a new debt facility to fund our 2018 and 2019 development programme in the second half of 2016.

OPERATIONS REVIEW

# PEOPLE ARE KEY TO OUR SUCCESS

## SALES, RENTAL GROWTH AND PROFITABILITY

The key strengths of our operating business are our people and people practices, our scalable platform, the strength of our brand and our long standing relationships with Universities. We continued to build on these strengths throughout 2015, resulting in a £16.2 million, 49% increase in Adjusted EPRA earnings to £49.5 million compared to last year (2014: £33.3 million). This growth has been driven by high occupancy, rental growth and the impact of portfolio movements as well as further operational efficiencies and ongoing cost discipline.

## SUMMARY INCOME STATEMENT

| | 2015 £m | 2014 £m |
|---|---|---|
| Unite's share of rental income | 144.3 | 130.0 |
| Unite's share of property operating expenses | (39.8) | (35.7) |
| **Net operating income (NOI)** | **104.5** | 94.3 |
| NOI margin | 72.5% | 72.5% |
| Management fees | 12.0 | 10.0 |
| Operating expenses | (21.9) | (19.9) |
| Finance costs | (48.1) | (45.6) |
| Net portfolio contribution | **46.5** | 38.8 |
| USAF acquisition and net performance fee | 22.0 | 1.2 |
| Development and other costs | (7.2) | (6.7) |
| **EPRA earnings** | **61.3** | 33.3 |
| **Yield related element of performance fee** | **(11.8)** | – |
| **Adjusted EPRA earnings** | **49.5** | 33.3 |
| **EPRA EPS** | **28.6p** | 17.2p |
| **Adjusted EPRA EPS** | **23.1p** | 17.2p |

The Group's NOI margin remained flat at 72.5% (December 2014: 72.5%) reflecting further scale efficiencies that were offset by investment in enhanced service levels and a slight shift in revenue mix towards the regions. Completing the implementation of our new Prism operating system will be a particularly important driver of both improved efficiency and service levels and in the medium term we expect NOI margins to improve towards 75%, although balancing margin growth and service level enhancement will remain our overriding priority.

We are now managing 46,000 beds compared to 43,000 at 31 December 2014. Alongside this growth in beds, there has been a growth in overheads of £2.0 million driven mainly by increased bonus related remuneration costs of £0.8 million and £1.0 million of costs invested into exploring medium term growth opportunities. We expect a further small increase in overheads in 2016 relating to the depreciation of Prism. Despite this growth in overheads our key overhead efficiency measure (total operating expenses less management fees as a proportion of Unite's share of property value) continues to improve and now stands at 48 bps (31 December 2014: 61 bps) and we remain focused on our target of 25-30bps by 2017.

RICHARD SMITH, MANAGING DIRECTOR, OPERATIONS

Related sections

Business model and strategy p14
Resources and relationships p15
Market overview p18
Strategy in action p20
Key performance Indicators (KPIs) p26
Principal risks and uncertainties p31

OCCUPANCY ACROSS UNITE'S PORTFOLIO FOR THE 2015/16 ACADEMIC YEAR STANDS AT 99% AND LIKE-FOR-LIKE RENTAL GROWTH OF 3.8% WAS ACHIEVED ON OUR STABILISED PORTFOLIO. WE HAVE CONTINUED TO GROW THE PROPORTION OF BEDS LET TO UNIVERSITIES WITH 57% OF ROOMS UNDER NOMINATIONS AGREEMENTS, UP FROM 53% IN 2014/15 AND 45% IN 2012/13.

The continued scalability of our operating platform is a key strength of our business and will continue to play an important part in the delivery of our strategy in the years ahead. It is capable of managing significantly more beds than currently and each additional bed adds only a marginal £82 per bed of overhead compared with the current run rate of £476 per bed.

Management fees totalled £35.9 million in the year, made up of £12.0 million of recurring asset management fees, £1.9 million of development management fees, £1.8 million of USAF acquisition fee and £20.2 million of USAF net performance fee. The USAF performance fee is payable in units based on USAF's cumulative total return at 31 December 2015. The component of the fee that relates to yield movement has been excluded from our Adjusted EPRA Earnings and for dividend reference purposes to reflect a more normalised level of earnings. The operational element of the performance fee is driven by USAF's income and rental growth performance and is expected to add around £5 million per annum going forward based on our rental growth and occupancy expectations and assuming no yield movements.

Finance costs increased to £48.1 million (2014: £45.6 million) as net debt remained broadly flat but lower levels of development capex (reflecting the lower volume of 2015 openings) resulted in a reduction of interest capitalised to £2.7 million compared to £8.0 million in 2014. We expect the level of interest capitalisation to rise as the rate of development increases in 2016. Development (pre-contract) and other costs increased to £7.2 million (2014: £6.7 million) primarily reflecting the ongoing levels of site acquisition in the business, the earnings impact of share based incentives and our contribution to our charitable trust, the Unite Foundation.

## HOME FOR SUCCESS INVESTMENT PROGRAMME

Our Home for Success investment programme, announced in early 2014, is substantially complete, with service enhancements such as the higher Wi-Fi speeds, longer opening hours and free fortnightly communal kitchen and bathroom cleans now well embedded and appreciated by students. We are also now a fully accredited Living Wage Employer.

The improvements to the physical environment are nearing completion, having re-branded our entire portfolio and completed the upgrade of 116 common rooms. The installation of LED lighting throughout our estate is progressing well, with 66 properties now completed. The remaining buildings will be completed this year. Utility consumption data is supportive of the savings that were forecast in the original business case and we expect to derive further savings as a result of the reduced maintenance requirements of the new lighting.

The introduction of these new services and enhancements to the physical environment continues to drive customer satisfaction with a further year on year improvement to its highest ever level.

Striving to improve customer service levels each year is central to our strategic objective to be the most trusted brand in our sector. It is vital that our operating scale translates not just into financial benefits but also into an improved customer experience. As a result we will continue to make new investments in service levels and product quality on an ongoing basis, ensuring an appropriate balance with margin improvements.

## OCCUPANCY, RESERVATIONS AND RENTAL GROWTH

Occupancy across Unite's portfolio for the 2015/16 academic year stands at 99% and like-for-like rental growth of 3.8% was achieved on our stabilised portfolio. We have continued to grow the proportion of beds let to Universities with 57% of rooms under nominations agreements, up from 53% in 2014/15 and 50% in 2012/13. Enhanced service levels have resulted in longer term and more robust partnerships with Universities. We do not expect the proportion of beds let to Universities to grow beyond 60% over the next few years and will look to maintain it at around that level to ensure that we have sufficient beds available for students who wish to book directly. On average, rents on nominations rooms are c.5% below direct let equivalents and, based on our recent experience with new agreements, there is an opportunity to close this discount in the coming years.

Reservations for the 2016/17 academic year are encouraging, standing at 67% (65% at the same point last year), and the ongoing impact of the removal of the government's cap on student numbers together with the continued attraction of the UK as a destination for international students, suggests a further increase in the number of new students next year. This provides us with further confidence in occupancy and rental growth for the 2016/17 academic year, which we expect to be at least as strong as for 2015/16.

## INVESTMENT IN PEOPLE, TECHNOLOGY AND RELATIONSHIPS

Satisfaction with service has again risen to record levels as students see the benefits of the investments that we are making. The first two elements of Prism were delivered in 2015 providing improved maintenance service levels and revenue management functionality. The final phase providing students with enhanced online booking capability will be live in the Spring, ready for the 2016/17 academic year and enabling us to drive further efficiencies through capabilities such as online tenancies.

We have also grown our digital capabilities with an enlarged team focused on student experience. In 2015, this has seen us deliver enhancements to our website, a portfolio wide communications portal to drive engagement and to help students access the information they need to support them during the course of the academic year and our own online shop selling the key products that students need. We have also started a programme of working with our students to generate relevant, engaging and student led content for our digital channels.

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

We also continue to invest meaningfully in our Higher Education sector relationships. Our Universities Partnerships team is dedicated to building strong working relationships with key University partners and this approach has seen us incorporate University requirements into new developments and driven the growth in the number of beds under nominations agreements from 22,500 to 26,000 over the year.

In China, our marketing office is now fully operational with four full-time team members and our online presence has been established. We have also started to create meaningful relationships with both local and British Universities in China as well as providing important support to our Chinese customers before they travel to the UK and to their parents while their children are overseas. We are confident that this investment will deliver long term benefit to the business as well as to Chinese students and UK Universities.

RICHARD SMITH
**Managing Director Operations**
23 February 2016

RESERVATIONS FOR THE 2016/17 ACADEMIC YEAR ARE ENCOURAGING, STANDING AT 67% (65% AT THE SAME POINT LAST YEAR), AND THE ONGOING IMPACT OF THE REMOVAL OF THE GOVERNMENT'S CAP ON STUDENT NUMBERS TOGETHER WITH THE CONTINUED ATTRACTION OF THE UK AS A DESTINATION FOR INTERNATIONAL STUDENTS, SUGGESTS A FURTHER INCREASE IN THE NUMBER OF NEW STUDENTS NEXT YEAR.

# A STRONG PIPELINE

RICHARD SIMPSON, MANAGING DIRECTOR, PROPERTY

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.

## NAV GROWTH

EPRA NAV per share increased by 34% to 579 pence at 31 December 2015, up from 434 pence at 31 December 2014. In total, EPRA net assets were £1,394 million at 31 December 2015, up from £881 million a year earlier.

The main factors behind the 145 pence per share growth in EPRA NAV per share were:

- The growth in the value of the Group's share of investment assets (+99 pence), as a result of rental growth (+25 pence) and yield compression (+74 pence)
- The value added to the development portfolio (+30 pence)
- EPRA earnings for the period of 28 pence
- Dividends paid of 14 pence reduced NAV
- The positive impact of the £115 million equity issue (11 pence)
- The potential dilution arising from the convertible bond, reflecting the assumption it will fully convert, reduced EPRA NAV by 10 pence per share

Looking forward, our portfolio is well placed to deliver continued growth. Our focus on the strongest University locations underpins rental growth prospects and we will continue to deliver meaningful upside from our development activity. In total, our secured pipeline is expected to deliver 39 pence per share of NAV uplift and 12 pence of earnings per share once completed.

## PROPERTY PORTFOLIO

The valuation of our property portfolio at 31 December 2015, including our share of gross assets held in USAF and joint ventures, was £2,065 million (31 December 2014: £1,624 million). The £441 million increase in portfolio value (on a see-through basis) was attributable to:

- Capital expenditure on developments of £134 million and acquisitions of £60 million
- Disposals of £66 million
- Valuation increases of £304 million on the investment and development portfolios, with like-for-like rental growth of 3.8% being generated on the stabilised portfolio.

## SUMMARY BALANCE SHEET

| | 2015 £m | | | 2014 £m | | |
|---|---|---|---|---|---|---|
| | Wholly owned £m | Share of Fund/JV £m | Total £m | Wholly owned £m | Share of Fund/JV £m | Total £m |
| Rental properties | 1,024 | 811 | 1,835 | 952 | 558 | 1,510 |
| Properties under development | 150 | 80 | 230 | 49 | 65 | 114 |
| | 1,174 | 891 | 2,065 | 1,001 | 623 | 1,624 |
| Adjusted net debt | (448) | (283) | (731) | (449) | (248) | (697) |
| Other assets/(liabilities) | (5) | (18) | (23) | (38) | (8) | (46) |
| Convertible bond | 83 | – | 83 | – | – | – |
| EPRA net assets | 804 | 590 | 1,394 | 514 | 367 | 881 |

The proportion of our property portfolio that is income generating is 89%, down from 93% at December 2014, with 11% now under development as the rate of development activity has started to increase as planned. We will continue to manage the development weighting of our balance sheet to remain within our internal cap of 20% .

## UNITE INVESTMENT PORTFOLIO ANALYSIS AT 31 DECEMBER 2015

| | | USAF | UCC/ LSAV | Wholly owned | Lease | Total | Unite share |
|---|---|---|---|---|---|---|---|
| London | Value (£m) | 336 | 695 | 409 | – | 1,440 | 829 |
| | Beds | 2,014 | 4,300 | 1,993 | 260 | 8,567 | 45% |
| Major provincial | Value (£m) | 1,505 | 44 | 431 | – | 1,980 | 775 |
| | Beds | 20,656 | 331 | 6,264 | 1,824 | 29,079 | 42% |
| Provincial | Value (£m) | 222 | – | 184 | – | 406 | 231 |
| | Beds | 4,202 | – | 3,253 | 1,059 | 8,514 | 13% |
| **Total** | **Value (£m)** | 2,064 | 739 | 1,024 | – | 3,827 | 1,835 |
| | Beds | 26,872 | 4,631 | 11,510 | 3,147 | 46,160 | 100% |
| Unite ownership share | | 21% | 50% | 100% | – | | |
| **Unite ownership (£m)** | | 442 | 369 | 1,024 | – | 1,835 | |

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

## STUDENT ACCOMMODATION YIELDS

There has been an unprecedented level of transactions in the student accommodation sector throughout 2015 with over £5.5 billion of assets, representing around a quarter of the total purpose built sector, traded as a series of large portfolios have been sold to new or relatively new entrants to the sector. The majority of buyers have been supported by international capital from institutional and private equity investors and we believe that yields on these transactions ranged from c.4.5% for central London assets to c.5.7% for secondary provincial locations.

## INDICATIVE YIELDS

| | 31 December 2015 | 31 December 2014 |
|---|---|---|
| London | 4.5 – 5.25% | 5.5 – 6.0% |
| Major provincial | 5.35 – 5.8% | 6.1 – 6.5% |
| Provincial | 6.0 – 6.5% | 6.5 – 7.0% |

When reviewing these transactions, our valuers estimate that 5-10% of the purchase price, equivalent to 25 bps to 50 bps of yield, is a portfolio premium as many of the buyers are likely to have been prepared to pay more to secure larger portfolios to ensure that they benefit from operational scale. No portfolio premium is taken into account in valuing our portfolio as assets are valued on an individual basis.

Overall the average yield on our portfolio (on a see-through basis) at 31 December 2015 is 5.55%, representing an inward movement of 70bps over the year and excluding any portfolio premium. The yield movement has been most notable in London and an indicative spread of direct let yields by location is outlined above.

## OLYMPIC WAY, WEMBLEY

Our new Olympic Way property in Wembley, North West London, is on course to be completed on schedule and within budget, ready for the 2016/17 academic year. The £49 million development is in an area which has undergone significant regeneration in recent years. The property will officially open its doors to 699 students from Middlesex University in September 2016 following a new partnership agreement between Unite Students and the University.

The property itself comprises an 18 storey student accommodation block with two retail units, raised gardens and terraces at the lower levels with ground floor courtyards and public spaces. As with all Unite Students properties, Olympic Way has convenient access to transport links, and is close to shops and amenities. The Middlesex University students who will call Olympic Way place from September will also have one of the best possible views of the iconic Wembley Stadium, which is a stone's throw away.

Although it is likely that a proportion of this potential upside will reflect portfolio premium, which will not be reflected in individual asset valuations, this indicative pricing suggests there is room for meaningful yield movement.

## DEVELOPMENT ACTIVITY

### 2015 and 2016 completions

Our two 2015 developments were completed in line with budget and programme and have been fully let for the 2015/16 academic year to Universities under nominations agreements.

Orchard Heights, Bristol was completed in August and has been let to the University of Bristol and Angel Lane, Stratford let to Kings College, London both under nominations agreements. Both properties form part of the Universities core accommodation offering to students and have been co-branded with the Universities.

The 2016 pipeline is progressing well. Regionally, we are on track to deliver three schemes in Portsmouth, Aberdeen and Coventry, adding a total of 1,500 beds. We expect all of the schemes to be fully let for the 2016/17 academic year. In London, LSAV will deliver two schemes in Wembley and Islington, adding a further 1,550 beds.

### Regional development pipeline

During the year we have continued to grow our 2017 and 2018 regional pipeline and have now secured a total of seven schemes which are expected to deliver approximately 3,750 beds, in addition to our ongoing 2016 projects. All new regional developments are being undertaken wholly on balance sheet and prospective returns for the secured pipeline are very attractive at an average 9% yield on cost.

## 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 % |
|---|---|---|---|---|---|---|---|---|
| **2016 completions** | | | | | | | | |
| Greetham Street | Portsmouth | 836 | 60 | 42 | 26 | 11 | 8 | 9.3% |
| Causewayend | Aberdeen | 399 | 38 | 24 | 11 | 9 | 4 | 9.8% |
| Far Gosford Street | Coventry | 286 | 25 | 18 | 9 | 9 | 3 | 9.4% |
| **2017 completions** | | | | | | | | |
| St Leonards | Edinburgh | 581 | 58 | 41 | 12 | 28 | 10 | 9.5% |
| Tara House | Liverpool | 776 | 61 | 46 | 5 | 36 | 11 | 9.3% |
| Constitution Street | Aberdeen | 600 | 58 | 43 | 1 | 36 | 9 | 9.3% |
| Millennium Point[1] | Coventry | 371 | 31 | 23 | 0 | 23 | 8 | 8.8% |
| **2018 completions** | | | | | | | | |
| Newgate Street | Newcastle | 569 | 48 | 36 | 0 | 36 | 11 | 8.5% |
| Old BRI[1] | Bristol | 604 | 84 | 62 | 14 | 48 | 22 | 8.4% |
| Brunel House[1] | Bristol | 228 | 26 | 19 | 9 | 9 | 8 | 8.5% |
| **Total** | | **5,250** | **489** | **354** | **87** | **245** | **94** | **9.0%** |

[1] Subject to obtaining planning consent.

We expect to secure the remainder of the 2018 pipeline (around 1,000 further beds) over the next few months at a development yield of around 8.5%. We are also making good progress identifying the 2019 pipeline and are likely to secure at least 2,000 further new beds over the next 18 months for 2019 delivery. Prospective returns for 2019 projects are likely to be between 8.0-8.5% yield on cost.

**LSAV development pipeline**
Within LSAV, our 50/50 London joint venture with GIC, the remaining two development projects at Stapleton House, Islington and Olympic Way, Wembley are progressing well and will complete later this year. We have seen strong levels of interest from Universities for both properties and have already signed a five year nominations agreement at Wembley.

## 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** | | | | | | | | |
| **2016 completions** | | | | | | | | |
| Stapleton House | London | 862 | 144 | 86 | 24 | 26 | 18 | 8.8% |
| Olympic Way | London | 699 | 79 | 49 | 22 | 14 | 12 | 9.0% |
| **Total LSAV** | | **1,561** | **223** | **134** | **46** | **40** | **30** | **8.9%** |
| **Unite share of LSAV** | | **n/a** | **112** | **67** | **23** | **20** | **15** | **8.9%** |

As anticipated, we did not secure any additional projects in LSAV during 2015 as alternative use values for suitable sites, particularly residential, remained at escalated levels and our achievable returns declined as a result. However, London remains an appealing location from a demand perspective and we are monitoring the market closely, although we believe we would need to see total costs reduce by around 15-20% before development might become feasible at our target returns. £130 million (Unite Share £65 million) of LSAV's target investment is currently unallocated and available for further developments if required.

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

| | Illustrative returns (by 2019) | |
|---|---|---|
| | Future NAVps | Future EPS |
| Secured regional projects (wholly owned) | 39 | 10 |
| Secured LSAV projects | 6 | 2 |
| Total secured pipeline (projects listed above) | 45 | 12 |
| Target regional pipeline (capital available) | 8 | 2 |
| Secured and target pipeline | 53 | 14 |

## ASSET DISPOSALS

Stratford City was sold to LSAV for £84 million in March under the forward sale agreement that was put in place when LSAV was set up in 2012. Taking into account our LSAV stake this represents an effective disposal of £42 million.

We sold a further £16 million of assets from LSAV and USAF equating to a total of £49 million of disposals on a see-through basis and all in line with book values.

We have now substantially concluded the sale of our non-core assets and as such disposals are being made on a more selective basis to support our strategy to have the highest quality portfolio in the sector and to manage our net debt within leverage targets. In 2016, we expect disposals to be around £100 – 125 million on a see-through basis against forecast capital expenditure of around £160 million. The higher level of disposals is intended to provide sufficient flexibility to fund development activity beyond our current pipeline internally.

## ACQUISITIONS

USAF remains our primary vehicle for portfolio acquisitions and it completed the purchase of the AUB portfolio on 30 June 2015 for £271 million. The acquisition was funded from the proceeds of USAF's £306 million equity raise that completed in May. The eight assets, comprising 2,100 beds, are all located in strong student markets and complement the existing USAF portfolio.

This acquisition follows USAF's successful £137 million acquisition of the Cordea Savills portfolio in July 2014. The Cordea Savills portfolio has been fully integrated into Unite's managed portfolio, a meaningful proportion of reversionary potential has been captured and the portfolio was valued at £156 million at 30 June 2015, generating a total return of 29% for USAF over a 12 month period.

We will continue to consider acquisitions in USAF and are currently evaluating a number of potential investments, including opportunities to acquire new developments on a forward commitment basis. As always, acquisitions will only be undertaken where we have a clear and deliverable plan to unlock value.

**RICHARD SIMPSON**
**Managing Director, Property**
23 February 2016

# STRONG CAPITAL STRUCTURE

JOE LISTER, CHIEF FINANCIAL OFFICER

## INCOME STATEMENT AND PROFIT MEASURES

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

| | 2015 £m | 2014 £m |
|---|---|---|
| Adjusted EPRA earnings | **49.5** | 33.3 |
| EPRA earnings | **61.3** | 33.3 |
| Valuation gains and profit/loss on disposal | **324.6** | 75.1 |
| Changes in valuation of interest rate swaps and debt break costs | **0.3** | (1.8) |
| Minority interest | **2.3** | (4.0) |
| **Profit before tax** | **388.4** | 108.4 |
| Adjusted EPRA earnings per share | **23.1p** | 17.2p |
| EPRA earnings per share | **28.6p** | 17.2p |

EPRA earnings of £61.3 million to 31 December 2015 (2014: £33.3 million) is stated after deducting tax charges, share option costs and abortive/pre-contract development spend. The significant growth in profit before tax is primarily the result of unrealised valuation gains of £324.6 million (2014: £75.1 million) which were recognised in the year as a result of yield compression and rental growth delivered in the year. A full reconciliation of EPRA earnings to profit after tax is given in Section 2 of the financial statements.

## CASHFLOW AND NET DEBT

The Operations business generated £40.8 million of net cash in 2015 (2014: £35.0 million) and see-through net debt increased marginally to £731 million (2014: £697 million).

The key components of the movement in net debt were the share placing, operational cash flow and the disposal programme (generating total inflows of £198 million on a see-through basis) offset by total capital expenditure of £134 million, dividends paid of £32 million and £60 million relating to the acquisition of the AUB portfolio.

In 2016 we expect net debt to increase by a similar level as capital expenditure on development activity will exceed anticipated asset disposals.

## DIVIDEND

We are maintaining our dividend pay-out level at 65% of Adjusted EPRA Earnings and are recommending a final dividend payment of 9.5 pence per share (2014: 9.0 pence), making 15.0 pence for the full year (2014: 11.2 pence). We intend to maintain this pay-out ratio for 2016 but would expect to increase it by approximately 10% following our planned conversion to REIT status in 2017. Subject to approval at Unite's Annual General Meeting on 12 May 2016 the dividend will be paid on 20 May 2016 to shareholders on the register at close of business on 22 April 2016.

## SHARE PLACING

We completed a placing of 20.1 million new ordinary shares in April 2015 at a price of 570 pence per share, raising gross proceeds of £115 million. Approximately half of the proceeds were used to invest in USAF while the remainder is being used to extend our regional development programme. As indicated at the time of the placing, we expect capital to be allocated to projects by early 2016 and for those projects to be completed by 2018.

## TAX AND PLANNED REIT CONVERSION

The Group has built up a significant amount of historic losses and unclaimed capital allowances, primarily as a result of the high volume of development activity it has undertaken over the last 10 years. As the Group has generated increasing taxable profits over recent years, these losses are reducing and are expected to be fully utilised over the next 12-18 months.

The increase in property valuations over the past few years has also created an increased net deferred tax liability. Taken together with the utilisation of historic losses, this means that the Group is showing an overall increase in its deferred tax liability to £31.0 million (2014: £2.8 million) and the reduction of its deferred tax asset to £1.0 million (2014: £2.2 million).

As a result of the Group's increased focus on recurring earnings, dividends and lower leverage, the Group intends to convert to become a REIT in early 2017. The Group currently meets the core requirements of the REIT regime with dividend pay-out and gearing levels at appropriate levels and with development activity being undertaken for investment purposes. Certain activities, primarily the investment management of joint ventures, whilst expected to fall within the limits of the balance of business tests, will incur a tax charge which we expect to be in the region of £3 – £4 million per annum from 2017 onwards.

## DEBT FINANCING

During the period we have maintained our focus on controlling gearing levels, extending debt maturities and minimising financing costs as shown in the table below.

**Key debt statistics (see-through basis)**

| | 2015 | 2014 |
|---|---|---|
| Net debt | **£731m** | £697m |
| LTV | **35%** | 43% |
| Net debt:EBITDA | **6.9** | 8.5 |
| Average debt maturity | **5.6 years** | 6.5 years |
| Average cost of debt | **4.5%** | 4.7% |
| Proportion of investment debt at fixed rate | **90%** | 97% |

The Group's see-through LTV reduced to 35% at 31 December 2015 from 43% at the end of 2014 as a result of the value growth of the portfolio exceeding the increase in net debt by a wide margin. We will continue to proactively manage our gearing and intend to maintain our LTV around the mid-30% level going forward, assuming current yields. With greater focus on the earnings profile of the business, we are also now monitoring our net debt to EBITDA ratio, which was 6.9 times in 2015 and we plan to keep this in line with current levels going forward.

## CONVERTIBLE BOND

The Group's £90 million convertible bond is due to mature in October 2018. Under the terms of the bond, early conversion of the debt into equity can be triggered from October 2016 onwards if the share price trades over 1.3 times the conversion price for a period of time. The initial conversion price of £5.10 has reduced to £4.96 following share placings and dividend payments and therefore EPRA NAV has been prepared on the basis that the bond will convert in the future. This has resulted in NAV dilution of 10 pence per share as at 31 December 2015. Conversion in 2016 would result in a 40 basis point reduction in LTV.

## INTEREST RATE HEDGING ARRANGEMENTS AND COST OF DEBT

Our see-through cost of debt is 4.5% (2014: 4.7%) and the Group has 90% of its see-through investment debt subject to a fixed interest rate (2014: 97%) for an average term of 5.6 years. In order to take advantage of current low interest rates for our development pipeline we have entered into £120 million of forward starting swaps at an average rate of 2.0% (c.3.5% all-in cost) to hedge the future debt on our secured development pipeline. As this borrowing is drawn and the swaps become effective we expect our average cost of debt to fall by approximately 10 to 20 bps by 2018. We will continue to lock into forward rates at current levels as the development pipeline grows supporting the anticipated earnings growth of the business.

## FUNDS AND JOINT VENTURES

The table below summarises the key financials for each vehicle:

USAF and LSAV have continued to perform well in 2015. LSAV's total return is driven by stronger capital growth in London and development returns.

USAF successfully completed a £306 million fund raise in May 2015. As part of the fund raise, USAF broadened and diversified its investor base by introducing Allianz Real Estate as a major new investor in the fund. Unite invested £60 million (from the proceeds of its own capital raise early in the year) to maintain its stake at 21%. The proceeds of the fund raise were immediately deployed into the £271 million AUB acquisition outlined above.

Based on its leverage targets, USAF currently has investment capacity of approximately £125 million and, for 2016, is considering a small number of open market individual asset purchases, including on a forward commitment basis.

## FEES

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

| | 2015 £m | 2014 £m |
|---|---|---|
| **USAF** | | |
| Asset Management fee | **8.7** | 7.1 |
| Net acquisition fee | **1.8** | 1.6 |
| Net performance fee* | **20.2** | – |
| **LSAV** | | |
| Asset and property management fee | **3.3** | 2.6 |
| Development management fee | **1.9** | 2.8 |
| **OCB** | | |
| Asset management fee | | 0.3 |
| **Total fees** | **35.9** | **14.4** |

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

The asset management fees from both USAF and LSAV have increased as a result of the growth in the portfolios under management during the year due to acquisitions and valuation growth. A net acquisition fee of £1.8 million was earned as part of USAF's acquisition of the AUB portfolio and a performance fee was earned due to the strong performance of USAF during the year.

A total performance fee of £25.6 million was earned and will be paid in units during the first quarter of 2016. The net fee recognised of £20.2 million is after deducting £3.2 million, which represents the Group's share of the performance fee paid by USAF and after a one-off bonus payment of £2.2 million was made to Unite employees, excluding directors, in recognition of USAF's sustained outstanding performance. After payment of the fee, our stake in USAF will increase to 23%.

| | Property Assets £m | Net debt £m | Other assets £m | Net assets £m | Unite share of NAV £m | Total return | Maturity | Unite share |
|---|---|---|---|---|---|---|---|---|
| **Vehicle** | | | | | | | | |
| USAF | 2,074 | (602) | (64) | 1,408 | 305 | 23% | Infinite | 21% |
| LSAV | 894 | (308) | (17) | 569 | 285 | 40% | 2022 | 50% |

# MAKING A POSITIVE CONTRIBUTION

## RICHARD SMITH, MANAGING DIRECTOR, OPERATIONS

As a successful company we recognise that we are in the privileged position of being able to make choices that have a wide, positive impact. As we strive to provide a Home for Success for our students, we realise the importance of operating responsibly and sustainably at all times and making a positive difference to our stakeholders as well as wider society.

As chair of the Corporate Responsibility and Sustainability (CR&S) Committee, I am accountable to the board for CR&S within Unite. Communications Director James Puxty chairs the CR&S Working Group, with responsibility for the day-to-day development and implementation of our CR&S strategy.

Our strategy is based on four areas where we are best able to make a positive contribution to wider society: Responsible Business, Environment, Developing People and Building Communities.

## OVERVIEW

In 2014 we introduced our new business purpose, Home for Success, and with that our four key themes. Since then we've been working with stakeholders to develop a more detailed strategy including a range of targets to help drive further improvements across these areas. More details will be unveiled later this year (2016) in a stand-alone CR&S Report.

## RESPONSIBLE BUSINESS

In our efforts to create an environment that benefits future generations of students, we will strive to improve the transparency, completeness and accuracy of our CR&S reporting.

We will ensure that all relative metrics are available to view online, holding the company to account and showing the progress made, and will further align appropriate reporting frameworks to achieve this.

During 2015 we retained our listing on the FTSE4Good Index, significantly improving our score and earning a place in the top three percent of Real Estate companies.

We also further improved our score on the Global Real Estate Sustainability Benchmark (GRESB), earning coveted 'GreenStar' status for the second year running.

All of this reflects and recognises our commitment to continually improving our environmental, social and governance performance.

## ENVIRONMENT

Our environmental strategy is focused on three core objectives: environmental management, sustainable behaviour and sustainable buildings.

These help us to manage and reduce our most significant environmental impacts: energy consumption, carbon emissions, water use and waste generation. During 2015 we achieved further improvements, achieving a place on the CDP's Climate Disclosure Leaders Index with a Climate Change Disclosure score of 99 out of 100 and a performance rating of C (on an A to E scale).

This reflects our comprehensive strategy to reduce our most important environmental impact, our carbon emissions.

The table on page 47 summarises our energy consumption and carbon emissions.

We have achieved an absolute reduction in our combined scope 1+2 emissions of 5.1% compared to 2014, despite an overall increase in bed numbers of 10% (comparing 'carbon contributing bed' numbers – see below for details). This equates to a 7% reduction in scope 1+2 emissions per bed. This has been largely driven by a 1.5% reduction in absolute grid electricity consumption compared to 2014, combined with a 6% reduction in the grid electricity emissions factor.

Again, further details of our environmental strategy will be published later in the year in a stand-alone CR&S Report.

Our employee and student sustainability engagement programme 'Up to uS' has also gone from strength to strength, with 12 teams earning NUS Green Impact Bronze awards in May 2015. This year our city teams are working with over 60 student volunteers to hopefully achieve Green Impact Bronze for every site.

Up to uS

Over 2015 we completed Energy Savings Opportunity Scheme (ESOS) audits and updated energy performance certificates (EPCs) for all of our sites. We've also installed energy efficient LED lighting in over half of our sites to date as part of our ongoing LED lighting project, due to complete in 2016. We'll also be installing a range of energy efficiency measures including air source heat pumps and solar photovoltaics (PV).

In addition to absolute energy consumption and emissions for all of our buildings under operational control, we also report on a per-bed basis historically using total beds in ownership at year-end. This year we have used a "carbon contributing beds" number, including a pro rata contribution from any sites acquired or disposed of during the reporting period, according to the number of months it was in Unite Students' ownership (e.g. a 400 bed site owned for three months would contribute 100 beds to the total). This approach allows the calculation of site level emissions and improves the accuracy of whole estate calculations. In addition we are now reporting on a "per carbon contributing m²" basis, which similarly includes a pro rata proportion of the total floor area for sites acquired or disposed of during the year. This allows more straightforward benchmarking against other real estate and property organisations which report on a per m² basis. In future years only the carbon contributing bed numbers will be reported.

| | 2013 | 2014 | Change vs prior year | **2015** | **Change vs prior year** |
|---|---|---|---|---|---|
| Year-end bed numbers | 41,072 | 43,039 | 5% | **46,160** | **7%** |
| Carbon contributing bed numbers | 39,746 | 39,125 | (2%) | **43,084** | **10%** |
| Carbon contributing floor area (m²) | 13,439,346 | 13,663,706 | 2% | **14,493,643** | **6%** |

The table below shows energy consumption. Absolute electricity consumption reduced by 0.89% during 2015, although carbon contributing bed numbers increased by 10.12%, reflecting the savings delivered by activity such as our LED lighting installation programme, as well as the impact of consecutive mild winters. Absolute natural gas consumption increased by 15.64%, reflecting an increase in proportion of sites using gas for heating and/or hot water (both new openings and acquisitions).

| | | 2013 | 2014 | | **2015** | |
|---|---|---|---|---|---|---|
| | | Consumption | Consumption | Change vs prior year | **Consumption** | **Change vs prior year** |
| Electricity | kWh absolute | 113,029,913.919 | 111,948,910.661 | (0.96%) | **110,948,790.899** | **(0.89%)** |
| | kWh/bed, old method | 2,751.994 | 2,601.104 | (5.48%) | **2,403.570** | **(7.59%)** |
| | kW/bed, new method | 2,843.842 | 2,861.314 | 0.61% | **2,575.154** | **(10.00%)** |
| | kWh/m² | 8.410 | 8.193 | (2.58%) | **7.655** | **(6.57%)** |
| Natural gas | kWh absolute | 28,718,113.737 | 23,328,331.975 | (18.77%) | **26,977,762.144** | **15.64%** |
| | kWh/bed, old method | 699.214 | 542.028 | (22.48%) | **584.440** | **(0.32%)** |
| | kW/bed, new method | 722.550 | 596.251 | 7.82% | **626.162** | **0.08%** |
| | kWh/m² | 2.137 | 1.707 | (20.10%) | **1.861** | **9.02%** |

For the 2015 dataset, 92.88% of electricity consumption data is from half-hourly metering, while 5% is from suppliers' bills, and 2.12% from budget estimates where neither metering or billing data was available; gas data over this period comprises 58.13% half hourly meter data, 33.70% suppliers' bills and 8.17% budget estimates. The larger proportion of estimates within the gas data reflects six-monthly billing where data loggers have not or cannot be fitted. All sites under operational control are included, while sites fully leased to a third party (and so under their operational control) are excluded.

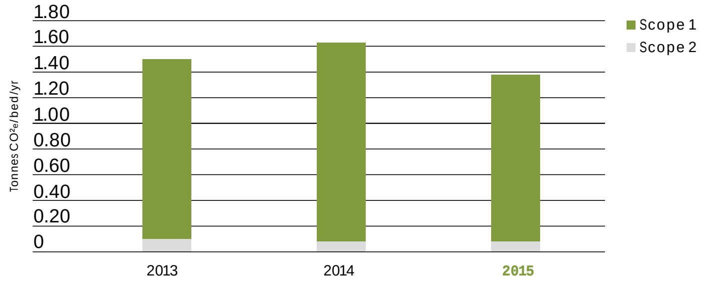
This year, in line with amended guidance from the greenhouse gas (GHG) Protocol on emissions reporting, we are reporting Scope 2 emissions using both a "location based" (using DEFRA UK grid average emissions factor) and "market based" (using emissions factor based the actual generation mix of our supplier, nPower) approach. Therefore two sets of Scope 2 (and combined Scope 1+2) data are included in the table on page 48.

| | | 2013 | 2014 | | 2015 | |
|---|---|---|---|---|---|---|
| | | Consumption | Consumption | Change vs prior year | Consumption | Change vs prior year |
| Total Scope 1 emissions[1] | Tonnes $CO_2e$ absolute | 5,361.74 | 4,393.76 | (18.05%) | **5,373.05** | **22.29%** |
| | Tonnes $CO_2e$/bed, old method | 0.13 | 0.10 | (21.80%) | **0.12** | **14.02%** |
| | Tonnes $CO_2e$/bed, new method | 0.13 | 0.11 | (16.75%) | **0.12** | **11.05%** |
| | kg $CO_2e/m^2$ | 0.3990 | 0.3216 | (19.40%) | **0.3707** | **15.29%** |
| Total Scope 2 emissions (location based) | Tonnes $CO_2e$ absolute | 50,352.57 | 56,025.97 | 11.27% | **52,382.17** | **(6.50%)** |
| | Tonnes $CO_2e$/bed, old method | 1.23 | 1.30 | 6.18% | **1.13** | **(12.83%)** |
| | Tonnes $CO_2e$/bed, new method | 1.27 | 1.43 | 4.88% | **1.22** | **(8.96%)** |
| | kg $CO_2e/m^2$ | 3.7467 | 4.1003 | 9.44% | **3.6141** | **(11.86%)** |
| Total Scope 2 emissions (market based) | Tonnes $CO_2e$ absolute | | | | **48,488.98** | |
| | Tonnes $CO_2e$/bed, old method | | | | **1.05** | |
| | Tonnes $CO_2e$/bed, new method | | | | **1.13** | |
| | kg $CO_2e/m^2$ | | | | **3.3455** | |
| Total Scope 1+2 emissions (location based) | Tonnes $CO_2e$ absolute | 55,714.31 | 60,419.73 | 8.45% | **57,755.22** | **(4.41%)** |
| | Tonnes $CO_2e$/bed, old method | 1.36 | 1.40 | 3.49% | **1.26** | **(10.87%)** |
| | Tonnes $CO_2e$/bed, new method | 1.40 | 1.54 | 2.49% | **1.34** | **(7.04%)** |
| | kg $CO_2e/m^2$ | 4.1456 | 4.4219 | 6.66% | **3.9849** | **(9.88%)** |
| Total Scope 1+2 emissions (market based) | Tonnes $CO_2e$ absolute | | | | **53,862.03** | |
| | Tonnes $CO_2e$/bed, old method | | | | **1.18** | |
| | Tonnes $CO_2e$/bed, new method | | | | **1.25** | |
| | kg $CO_2e/m^2$ | | | | **3.7163** | |
| Total Scope 3 emissions[2] (location based) | Tonnes $CO_2e$ absolute | 5,225.16 | 14,826.67 | 183.76% | **15,486.29** | **4.45%** |
| | Tonnes $CO_2e$/bed, old method | 0.13 | 0.34 | 170.787% | **0.34** | **(2.61%)** |
| | Tonnes $CO_2e$/bed, new method | 0.13 | 0.38 | 188.26% | **0.36** | **(5.15%)** |
| | kg $CO_2e/m^2$ | 0.3888 | 1.0851 | 179.10% | **1.0685** | **(1.53%)** |

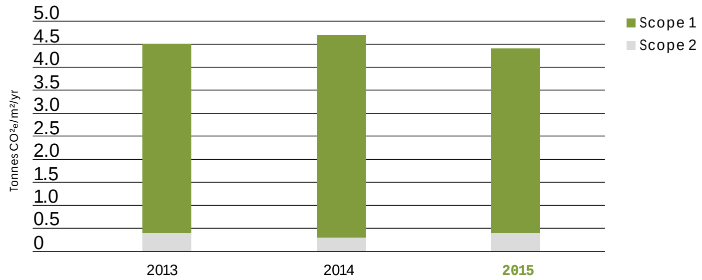
[1] Scope 1 includes electricity consumption and business vehicle usage.

[2] Scope 3 emissions reported here include business travel (train, flights & private vehicles), water, paper, and energy/transport related transmissions & distribution and well-to-tank emissions.

## SCOPE 1&2 $CO_2e$ EMISSIONS PER BED




## SCOPE 1&2 $CO_2e$ EMISSIONS PER M²




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

Calculation of Market Based Emissions Factor for grid electricity supplied under contract.[1]

| Primary energy source used for generation | Supplier's residual fuel mix[2] (%) | Carbon Dioxide Emissions for each fuel source (g/kWh) | Residual Fuel Mix x CO2 emissions (g/kWh) |
|---|---|---|---|
| Coal | 21 | 910 | 191.1 |
| Natural Gas | 59 | 390 | 230.1 |
| Nuclear | 2 | 0 | 0 |
| Renewables | 17 | 0 | 0 |
| Other Fuels | 1 | 590 | 5.9 |
| Scope 2 emissions factor used market based approach | | | 0.42710 Kgco2e/kwh |
| | | | 427.1 gCO2e/kWh |
| Defra 2015 grid electricity emissions factor used for location based approach | | | 0.46219 kgCO2e/kWh |

A more detailed analysis of emissions including site level energy and water, and details of Scope 3 emissions reported will be published in our separate CR&S report later in the year.

[1] Taken from UK Government guidance on fuel mix disclosure (https://www.gov.uk/government/publications/fuel-mix-disclosure-data-table).

[2] Taken from nPower's fuel mix disclosure covering 1 April 2014 to 31 March 2015 for Electricity.

## DEVELOPING PEOPLE

We are focused on creating an engaging environment that enables our people and the organisation to perform to their best. We aim to help our employees reach their potential in a fair, safe and rewarding environment whilst acknowledging and supporting them through any life changes. This means complying with all relevant legislation, respecting employees' human rights and any protected characteristics including disability, encouraging a diverse yet inclusive workforce, providing fair pay and remuneration and opportunities to develop.

We are proud to have achieved Investors in People (IIP) 'Gold' accreditation, recognising our commitment to supporting and developing our employees.

## UNITE DIVERSITY AND INCLUSION POLICY

Unite values diversity and it is our aim that Unite Students will be recognised as one of the best places to work in the UK, through the creation of a truly diverse, inclusive and representative workforce. We recognise that all conditions of employment should primarily meet the needs of the business, but also that those who work in it, regardless of any protected characteristics, including disability, should have the right to be free from harassment and bullying of any description, or any other form of unwanted behaviour described in the Equality Act 2010. We aim to ensure equality of opportunity in all of our activities including recruitment and promotion, as Unite opposes and will challenge all forms of discrimination.

## HUMAN RIGHTS

Unite believes that human rights are universal and recognises that the UN Guiding Principles on Business and Human Rights set a standard of conduct expected of companies. We do our best to ensure that everyone involved or associated with our business is protected, treated fairly and subject to our Anti Bribery and Corruption Policies, Health and Safety Policy, and various HR policies including those covering data protection, disciplinary, performance management, flexible working, grievance, leave, equality and diversity.

## LIVING WAGE

In March 2015 we delivered our commitment to paying all our employees the Living Wage or above, and in November 2015 Unite became an accredited Living Wage employer. As a responsible employer, it's important to us that we pay our employees fairly, and by making this commitment, we're not just investing in our own people, but we're also taking an active role in helping to raise living standards across the UK.

## GENDER DIVERSITY

**All employees**

| | |
|---|---|
| Male | 643 |
| Female | 610 |

**Senior managers**
Operations and Property boards and their direct reports

| | |
|---|---|
| Male | 36 |
| Female | 10 |

**Group Board**
Chairman, Executive and Non-Executive Directors

| | |
|---|---|
| Male | 7 |
| Female | 2 |

## BUILDING COMMUNITIES

This year Unite Students has focused its attention on developing the great foundation that has already been established around its community work through further investment and support in this area.

## CHARITY SUPPORT

In addition to providing ongoing support to the Unite Foundation and three further charitable organisations; Into University; Enactus UK and LandAid, we have also launched a 'Charity of the Year' scheme which has seen the nomination of a national partner, Sport Relief, and in addition 22 'City Charities of the Year' which our local teams fundraise for. We also continue to support Cancer Research UK as our stock donation partner, and are delighted that for the academic year 2015/16 we were able to donate more than £120,000's worth of stock to the charity. Combined with our other charitable giving activity, this has helped us achieve an overall fundraising figure of over £300,000 for 2015.

## VOLUNTEERING

In addition to this activity, this year also saw the launch of our first ever volunteering scheme. Following a successful trial in April, the initiative was rolled out nationally. This allowed all employees to have the opportunity to take a day out of the business to volunteer with a local organisation during the month of November. 34 charities hosted more than 200 Unite Student employees across a host of opportunities, (including some skills matched volunteering) equating to a value of over £35,000 worth of time volunteered for the organisations we worked with.

## 2015 HIGHLIGHTS

- Mobilisation of 23 Enactus 'Business Advisors' to offer support and advice to the University teams for the social enterprise projects they undertake.
- Established a network of 24 food banks nationally to donate unwanted food to on behalf of our students.
- 20% of our employees took part in our national volunteering scheme.

'Overall the experience was absolutely fantastic and I feel that I have learned loads from it. Moreover, I am still in touch with some of my colleagues at Philips, and may apply for one of their graduate schemes when I finish my final year. Even if I choose not to do this, I have been assured that I am more than welcome to contact them for any career advice once I graduate, since they had all been through a similar experience, which is invaluable.'

Anonymous, Unite Foundation Scholar

## THE UNITE FOUNDATION

In 2012, Unite Students set up the Unite Foundation, in order to offer support to those students who faced the most challenging circumstances in getting to University. The scheme offers scholarships comprising year-round accommodation and a living allowance for the duration of the students' University course, targeting those students for whom having a stable home environment is of the most importance, focusing on those students from a care background, or those estranged from their parents.

This year has seen the Foundation continue to grow, taking on a further three new partners; University College London, Portsmouth University and Plymouth University. With the addition of these new partners, the Foundation now works with ten Universities across the UK, and following September's intake, the Foundation has 117 active scholars.

The Foundation also looked to add value with the scholarship through the addition of an exclusive summer internship for one Foundation Scholar. This was done with the partnership support of Philips Lighting, and the launch of an employability initiative with King's College London.

## HIGHLIGHTS FOR 2015:

- First four graduates of the scholarship scheme.
- Launch of the 'New Starts' research report.
- Knowledge sharing event with our ten University partners.

'I cannot thank Unite Students enough for the support they have given me. I am the CEO of an international development charity, Concern Universal. I believe in getting every penny we can to our projects, which means we only spend 6p in the £1 on administration. That doesn't leave much room to bring in support from experts when we need it. Unite Students has given us pro-bono support from two incredibly experienced directors. The time I have spent with these Directors has helped hugely in dealing with some of the issues our organisation was facing. If I had bought in this support, it would have cost at least £15,000 in leadership training, HR support and brand development.

Thank you so much Unite Students, the professional support you have given has been priceless!'

Kathryn Llewellyn, Concern Universal

Our 2015 strategic report from page 1 to page 49 has been reviewed and approved by the Board of Directors on 23 February 2016.

## CHAIRMAN'S INTRODUCTION TO GOVERNANCE

# GOOD GOVERNANCE SITS AT THE HEART OF UNITE

PHIL WHITE, CHAIRMAN

On behalf of the Board, I'm pleased to present our Corporate Governance report. The Group's continued strong performance in 2015 derives from the business's continued focus on our three strategic objectives; our governance framework is aligned with these objectives.

During the year, conscious of the changes in the Corporate Governance Code regarding a robust assessment of principal risks and the viability statement, the Board conducted a detailed review of our risks and viability. The way we did this and the output from that process is set out on pages 28 to 30.

Our governance framework is designed to ensure the Board provides appropriate oversight and challenge. This is essential to ensure the business can continue its excellent momentum from recent years especially against the backdrop of a sector that has seen unprecedented levels of investor interest during 2015. Healthy scrutiny and forward thinking vigilance is ever more important.

## HOW GOVERNANCE HAS SUPPORTED OUR STRATEGY DURING 2015

| Strategic objective | Board's governance role | 2015 Board activity |
|---|---|---|
| To become the most trusted brand in the sector | **Home for Success**<br>Governance of the implementation of Home for Success – our core business purpose, ensuring the substantial investment is translating into real and improved customer experiences and stronger University relationships. | Board review of the ongoing implementation of the £40m Home for Success reinvestment programme – visiting properties and hearing directly from Universities as well as overseeing our customer satisfaction and University trust scores, which are at their highest ever levels see page 27 showing the investment is translating into tangible results.<br>Strategic review of the next phase of Home for Success to ensure the Group can continue to deliver improved customer experience in an increasingly competitive marketplace. |
| | **Health & Safety**<br>As we develop a stronger brand, the risk of a health & safety (H&S) miss damaging our reputation increases. The Board's governance of the health & safety, wellbeing and security of the 46,000 students who make Unite Students their home is critical to the Group's continued success and trusted reputation. | Review of the H&S aspects of our Operations and Property business units, overseeing the safety of our customers and contractors, at every Board meeting.<br>H&S Committee – a subcommittee of the Board – determines our H&S strategic priorities, scrutinizes our H&S performance and benchmarks and ensures our policies and procedures are appropriately embedded and implemented, see pages 60 to 69. |
| To operate the highest quality portfolio | Board oversight of portfolio activity to enhance both the quality and scale of our estate across the UK in a disciplined way.<br>**Development pipeline**<br>Board scrutiny of city and site selection for new developments against the backdrop of increasing competition for the best sites. Governance of developments/acquisitions to ensure they run to budget and schedule, and are earnings accretive.<br>**Acquisitions and disposals**<br>Board oversight on acquisitions and disposals. | Board ensured delivery of the two 2015 developments (Orchard Heights, Bristol and Angel Lane, London) on time and to budget. Board ongoing review and approval of future pipeline in line with targets for regional development (Portsmouth, Aberdeen and Coventry on track for 2016 delivery and oversight of 2017 and 2018 deliveries), see page 40.<br>Board review and approval relating to USAF's acquisition of the AUB portfolio, see page 41.<br>Board review of the capital spent during 2015 on refurbishments and extensions to our existing properties. |
| To maintain the strongest capital structure | Group Board focus on a strong and flexible capital structure, which can adapt to market conditions, as well as reducing and diversifying the cost of funding. | Board review and approval of the £115m (before fees) raised via a placing in April 2015 whilst USAF raised £306m.<br>Ongoing Board review of our capital operating guidelines. Continued focus on locking in debt at historically low rates for new debt facilities and forward starting interest swaps for future borrowings for secured development pipeline.<br>At the end of 2015:<br>• Loan to value fallen sharply – 35% (2014: 43%);<br>• Average cost of debt – fallen to 4.5% (2014: 4.7%) |

## STRATEGY AND OVERSIGHT

The Board's meetings are split between strategy (to consider the Group's longer term strategy having regard to emerging risks or the review and approval of specific investments above certain thresholds) and routine operational, property and financial updates (to provide context for the strategic discussions as well as governance oversight of in-year activity).

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

The Board is able to oversee the setting and implementation of the Groups' strategy due to its flat management structure; four members of the Board are Executive Directors and are 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 depth and breadth of experience in senior management, Higher Education, finance, customer service and real estate.

## GOVERNANCE AND OPEN CULTURE

The Board has ultimate responsibility to Unite Students' shareholders for all the Group's activities and also a broader responsibility, extending to environmental and social issues, recognising that the Group is home to over 46,000 students during a crucial stage of their personal development and with Universities right across the UK. To discharge this broader responsibility effectively, the Group needs to operate in an open, harmonious and transparent manner. One way in which this is achieved is by ensuring open communication between the Board and senior leaders.

Various members of the senior leadership team regularly present to the Board. During 2015, Unite's Operations Director, Student Experience Director, Head of Digital, Area Managers, Development Director, Funds Director (representing our various co-investment vehicles), University Partnerships Director and Head of Legal & Company Secretary (among others) presented to the Board. This direct access to management opens dialogue beyond the boardroom itself.

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

## APPOINTMENTS AND SUCCESSION

During 2015, the Nomination Committee reviewed the composition of the Board to ensure it has the appropriate balance of skills, experience, independence and knowledge in order to discharge its duties and responsibilities effectively, as well as reviewing succession planning and our senior leadership skills development.

## 2016 GOVERNANCE PRIORITIES

Continued focus on our three strategic objectives:

- **To become the most trusted brand:** roll out of our new operating platform, Prism, in April 2016. Continued focus on overseeing the implementation of Home for Success and tangible and measureable improvements for our customers, as well as developing the next phase of Home for Success
- **To operate the highest quality portfolio:** overseeing delivery of the development pipeline as new supply filters into the development market from new investors in the sector – our continued focus in towns and cities with the strongest growth prospects. Continued governance of our portfolio recycling having regard to the ongoing strength of the investment market
- **To maintain the strongest capital structure:** overseeing a strong and flexible capital structure that will enable us to adapt appropriately to market conditions as the cycle evolves

Following this review and having regard to the ever more demanding expectations of our customers and Universities and our key strategic objective to become the most trusted brand in the sector, Patrick Dempsey was appointed as a Non-Executive Director to join the Board on 1 March 2016. The Board believes that Patrick Dempsey's significant experience and knowledge of running and growing large service orientated brands will help strengthen the expertise of the Board.

## UK CORPORATE GOVERNANCE CODE

During 2015, our governance framework was built on the UK Corporate Governance Code ('the Code') as revised in 2014. The Code remained the minimum standard against which we measured ourselves during 2015. We complied with all the provisions in the Code during 2015 and expect to be fully compliant during 2016. Awards under the Performance Related Bonus and the LTIP are subject to malus and, from 2016, clawback in accordance with the proposed new executive remuneration policy (see page 76 in the Directors' Remuneration Policy).

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

**PHIL WHITE**
**Chairman of the Board**
23 February 2016

# THE RIGHT MIX OF SKILLS AND EXPERIENCE

## PHIL WHITE
**Chairman**

Chair of Nomination Committee
Remuneration Committee

Relevant skills and experience

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

## MARK ALLAN
**Chief Executive Officer**

Health & Safety Committee

Relevant skills and experience

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

## RICHARD SMITH
**Managing Director of Operations**

Chair of CR&S Committee

Relevant skills and experience

Richard was appointed as Managing Director of Operations for Unite in 2011. His role involves leading the service provided to our 46,000 customers, and managing the maintenance and facilities management across the Group's portfolio.

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

## JOE LISTER
**Chief Financial Officer**

Chair of Risk Committee

Relevant skills and experience

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

## RICHARD SIMPSON
**Managing Director of Property**

Relevant skills and 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.

## PROFESSOR SIR TIM WILSON
**Non-Executive Director**

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

Relevant skills and experience

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

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

Tim was appointed to the Board in 2010.

## MANJIT WOLSTENHOLME
**Senior Independent Director**

Chair of Audit Committee
Remuneration Committee
Nomination Committee

Relevant skills and experience

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

## ELIZABETH McMEIKAN
**Non-Executive Director**

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

Relevant skills and experience

Liz was appointed Non-Executive Director in February 2014. She has significant experience in customer-focused businesses, Tesco and Colgate Palmolive, where she was successful in driving growth through an understanding of customer needs and an innovative marketing approach.

Liz is Senior Independent Director at FTSE 250 pub group JD Wetherspoon and Chair of the Remuneration Committee at FlyBe plc. She is a Non-Executive Director at import/export fruit and vegetable company, Fresca Group Ltd, and CH & Co Ltd, a privately-owned catering company.

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

## ANDREW JONES
**Non-Executive Director**

Audit Committee
Remuneration Committee
Nomination Committee

Relevant skills and experience

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

Andrew was appointed to the Board in 2013.

**From left to right:** Andrew Jones, Richard Smith, Elizabeth McMeikan, Mark Allan, Phil White, Manjit Wolstenholme, Sir Tim Wilson, Richard Simpson, Joe Lister.

# SHAREHOLDER RELATIONS

The Board attaches a high priority to effective communication with shareholders and with other providers of capital to the business, and welcomes their views on the Group's approach to corporate governance. In addition to the final and interim presentations, a series of meetings between institutional shareholders/other providers of capital and senior management was held throughout 2015. 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 2016.

During 2015, the Remuneration Committee conducted a consultation with the largest 20 shareholders (representing around two-thirds of the issued share capital), as well as key UK institutional investors, regarding the proposed changes to the Remuneration Policy (see page 72).

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.

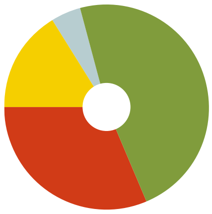
The results of the votes at the annual general meetings, together with details of the level of proxy votes lodged for each resolution are made available on a regulatory information service and on the Company's website at www.unite-group.co.uk.

Notice of the annual general meeting is set out on page 154.

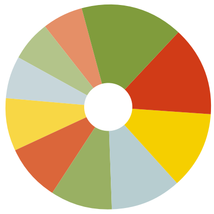
## RESULTS OF 2015 ANNUAL GENERAL MEETING

| | Resolution | For % Votes cast | Against % Votes cast |
|---|---|---|---|
| 1 | Receive Annual Reports & Accounts | 99.9 | 0.1 |
| 2 | Approve report on remuneration | 99.8 | 0.2 |
| 3 | Declare a final dividend | 100.0 | 0.0 |
| 4 – 12 | Appointment of Directors | 99.1 – 99.8 | 0.1 – 0.9 |
| 13 | Appoint the auditor | 98.9 | 1.1 |
| 14 | Auditor's remuneration | 98.1 | 1.9 |
| 15 | Authority to allot shares | 88.7 | 11.3 |
| 16 | Pre-emption rights | 98.8 | 1.2 |
| 17 | Allow general meetings on 14 days' notice | 82.1 | 17.9 |

## SHAREHOLDERS BY GEOGRAPHY %



| | | | |
|---|---|---|---|
| United Kingdom | 48.1 | Rest of Europe | 16.3 |
| North America & Canada | 31.5 | Rest of the World | 4.1 |



| | | | |
|---|---|---|---|
| BlackRock Inc | 7.74 | Principal Financial Group | 4.20 |
| FMR LLC | 6.73 | Franklin Resources Inc | 3.92 |
| APG Asset Management NV (NL) | 5.75 | Royal London Asset Management | 3.18 |
| Old Mutual Plc | 5.32 | Wellington Management Company | 3.09 |
| Aberdeen Asset Management Group | 4.61 | Legal & General Investment Management Ltd (UK) | 2.96 |

## INVESTOR DAYS

We regularly hold investor days to profile the latest developments in the business and showcase our properties and locations which support our students' academic and personal success. The events allow us to demonstrate the breadth and depth of our management team who help ensure that Unite Students continues to evolve. As well as tours of our properties and details of our latest projects, the events provide investors and potential investors with the opportunity to question key decision makers about the business, its future challenges and opportunities. These events always generate positive feedback from attendees who have had the opportunity to see and understand our business, our strategy, and overall vision at first hand.

In April 2015, the day after our successful placing, we invited investors to visit our portfolio in Aberdeen and to view Unite's ongoing development activity and existing presence in one of the UK's most thriving University cities. Guests heard from Mark Corver, Head of Analysis and Research at UCAS, and Philip Hillman, International Director at Jones Lang LaSalle, who outlined the themes in Higher Education, the outlook for the sector and student number growth.

In December 2015, we hosted a second capital markets' day which included a site visit to Unite's development at Wembley, Olympic Way. The visit was followed by a presentation on Unite's development pipeline and strategy for securing new development opportunities and how we manage our University partnerships.

# LEADERSHIP

## BOARD STRUCTURE

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

### UNITE BOARD

**Audit Committee**

Manjit Wolstenholme – Chair
Andrew Jones
Elizabeth McMeikan
Sir Tim Wilson
See the Audit Committee report on page 62.

**Remuneration Committee**

Elizabeth McMeikan – Chair
Andrew Jones
Phil White
Sir Tim Wilson
Manjit Wolstenholme
See the Remuneration Committee report on page 70. The Remuneration Committee report is incorporated into this Corporate Governance statement by reference.

**Nomination Committee**

Phil White – Chair
Andrew Jones
Elizabeth McMeikan
Sir Tim Wilson
Manjit Wolstenholme
See the Nomination Committee report on page 61.

**Health & Safety Committee**

Sir Tim Wilson – Chair
Mark Allan
Elizabeth McMeikan
Richard Smith and Richard Simpson also regularly attend for Property and Operations respectively.
See the Health and Safety Committee Report on page 68.

**Unite Operations Board**

**Unite Property Board**

**Risk Committee**

Joe Lister – Chair
Mark Allan
Richard Simpson
Richard Smith
Christopher Szpojnarowicz
(Head of Legal and Company Secretary)

## HOW THE BOARD OPERATES

The Board discusses and approves, annually, an agenda of items for the forthcoming year. This agenda sets out a wide range of matters to be reviewed and (to the extent necessary) approved at Board meetings, and at meetings of its Committees. Meetings are held in our head office in Bristol, in London (where a large proportion of our properties are located and also the largest concentration of Higher Education institutions in the UK) and in cities throughout the UK.

These cities are selected to give the Board an opportunity to see, first-hand, the Company's operations, properties and developments across the country. 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:

| | |
|---|---|
| **Regular updates from the Board Committees on their activities and recommendations** | Ensure that the detailed work performed in the Board Committees is considered by the Board as a whole |
| **Operational, property and financial updates** | Provide the Board with the necessary information to track the Group's performance and challenge any problems with performance |
| **Strategic plan** | Discuss, review and approve our strategic plan and track our performance against it |
| **New development schemes** | Review and challenge new development schemes being recommended by management and, due to the significant capital expenditure involved and key strategic decisions required, approve these new development schemes |
| **Training** | Review training needs and ensure the Board is kept up to date on key legal and regulatory changes |
| **Review of Group policies** | Review of key Group policies, such as the anti-bribery policy, to ensure they are appropriate and implemented effectively |
| **Market and Higher Education sector updates** | Ensure the Board is equipped with the most up to date knowledge and understanding of the industry and environment we are operating in |
| **Risk review** | Review and discuss our principal risks at a Group level and also a review of our operational level risks (the Board's operational risk review is to verify that risks have been properly identified and that appropriate risk mitigation plans are being correctly managed with clear actions and ownership) |

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

Details of the number of Board and Committees meetings held during the year, and Director attendance, is available in the table on page 60.

## BOARD MEETINGS 2015

| | |
|---|---|
| London | 7 |
| Sheffield | 1 |
| Bristol, head office | 1 |
| Bristol, University of West of England | 1 |

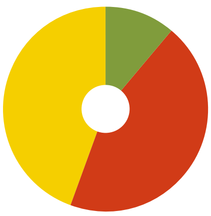
## COMPOSITION AND APPOINTMENTS

The composition of the Board during 2015 is set out in the diagram below.

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

Patrick Dempsey was appointed to the Board as a Non-Executive Director taking effect from 1 March 2016 (see page 51).

In accordance with the requirements of the Code, each of the current Directors offers himself/herself for re-election at the annual general meeting to be convened on 12 May 2016. Brief biographies of all the Directors are set out on page 52. Following the individual performance evaluations of each of the Non-Executive Directors seeking re-election, it is confirmed that the performance of each of these Non-Executive Directors continues to be effective. They each demonstrate commitment to the role, and add value and relevant experience to the Board.



**Board composition**

| | |
|---|---|
| Chairman | 1 |
| Executive | 4 |
| Non-Executive | 4 |

## ROLES

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

| Role | Description |
|---|---|
| Chairman | Phil White's principal responsibilities are:<br>• To establish, in conjunction with the Chief Executive, the strategic objectives of the Group, for approval by the Board<br>• To organise the business of the Board<br>• To enhance the standing of the Company by communicating with shareholders, the financial community and the Group's stakeholders in general |
| Chief Executive | Mark Allan has responsibility for:<br>• Establishing, in conjunction with the Chairman, the strategic objectives of the Group, for approval by the Board<br>• Implementing the Group's business plan and annual budget<br>• The overall operational and financial performance of the Group |
| Senior Independent Director | As Senior Independent Director, Manjit Wolstenholme's principal responsibilities are to:<br>• Act as Chair of the Board if the Chairman is conflicted<br>• Act as a conduit to the Board for the communication of shareholder concerns if other channels of communication are inappropriate<br>• Ensure that the Chairman is provided with effective feedback on his performance |

### Responsibility and delegation

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

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

These topics are scheduled as part of the agenda for the forthcoming year or brought to the Board on an ad hoc basis, as and when necessary.

## BOARD AND COMMITTEE ATTENDANCE AT MEETINGS IN 2015

| 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 | 10 | N/A | 4 | 3 | N/A |
| **Sir Tim Wilson** | Independent | 01.12.10 | 10 | 4 | 4 | 3 | 2 |
| **Manjit Wolstenholme** | Independent | 01.12.11 | 10 | 4 | 4 | 3 | N/A |
| **Andrew Jones** | Independent | 01.02.13 | 10 | 4 | 4 | 3 | N/A |
| **Elizabeth McMeikan** | Independent | 01.02.14 | 10 | 4 | 4 | 3 | 2 |
| **Mark Allan** | Executive | 17.11.03 | 10 | N/A | N/A | N/A | 2 |
| **Joe Lister** | Executive | 02.01.08 | 10 | N/A | N/A | N/A | N/A |
| **Richard Simpson** | Executive | 01.01.12 | 10 | N/A | N/A | N/A | N/A |
| **Richard Smith** | Executive | 01.01.12 | 10 | N/A | N/A | N/A | N/A |

## BOARD ACTIVITY AND ANNUAL PROGRAMME*

| February | March | April | May | June |
|---|---|---|---|---|
| Corporate responsibility | Meeting at Sheffield Hallan and City Tour | Share placing | University partnerships and market landscape | Home for Success – next phase |
| Post completion review – review of 2014 property completions | Digital Workshop | 2018 development pipeline | Internal audit plan | External valuer providing investment market update |
| Property – approval of development contracts | Optimum size | | Appoint new auditors following tender process | Half year valuation preview |
| Preliminary results | Principal risks review | | Review internal controls | Growth opportunities |
| Valuers attend Audit Committee | Nominations Committee – succession planning/ talent pipeline development | | Board meeting at University of West of England | Tax review |
| Debt & hedging strategy | | | | People review |

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

## BOARD COMMITTEES

The Board has delegated certain responsibilities to its Committees, as detailed on the following pages. The terms of reference for each Committee are reviewed annually and the current versions are available on the Company's website at www.unite-group.co.uk. The current membership of each Committee of the Board is set out in the chart on page 55.

## BOARD TENURE

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

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

| **Board tenure** | Years |
|---|---|
| Sir Tim Wilson | 5 |
| Phil White | 7 |
| Manjit Wolstenhome | 4 |
| Andrew Jones | 3 |
| Elizabeth McMeikan | 2 |

## PROFESSIONAL ADVICE AND BOARD SUPPORT

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

## INSURANCE

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

| July | September | November | December |
|---|---|---|---|
| Interim results | Strategic plan and talent review | Principal risks review | Customer satisfaction |
| | Approach to planning risk | 2016 budget | Growth opportunities |
| | Capital operating guidelines review | Sales cycle review | Tax review |
| | Review of potential acquisition sites | USAF/LSAV/wholly owned portfolio review | Anti-bribery policy review |
| | | | Review of potential acquisition sites and approving material construction contracts |

Most trusted brand

Highest quality portfolio

Strongest capital structure

* No board activity in January, August and October

## 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
- The legal and regulatory responsibilities of 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 partner with. They meet with key senior executives so from the outset they have access to managers throughout the organisation to help them form their own independent views on the Group, its performance and the 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 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 four Non-Executive Directors to be independent. Accordingly, the Company meets the requirement of the Code in relation to members of the FTSE 350 that at least half of the Board (excluding the Chairman), is made-up of independent Non-Executive Directors. 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 as a unit and other factors relevant to its effectiveness.

During 2015, an internal evaluation was undertaken. The Company's policy is to conduct an externally facilitated evaluation every third year. The previous external evaluation was 2014, therefore the next external one is expected to be 2017.

The internal evaluation in 2015 took the form of a questionnaire which asked searching questions of the Board and Committees. This was conducted on an anonymous basis – to encourage frank and direct feedback. The results were collated by the Company Secretary and shared with the Group Board and each Committee. In addition, the recommended actions from the 2014 externally facilitated evaluation were reviewed to determine progress against them.

The key themes arising from the evaluation were:

- Effective team: there is consensus that the Board and its Committees operate as an effective team, with a clear understanding of our strategy and an open, positive and collaborative culture. Comments across the Executive Directors and Non-Executive Directors were broadly similar, indicating no real outliers or divergence of views
- Strategy: as the business matures further and the sector becomes more competitive, the Board is well positioned to spend more time on longer term strategic initiatives and consider longer term growth prospects. The Board's agendas have been restructured to facilitate this
- Composition of the Board: there is consensus that the balance of skills and experience on the Board is appropriate but this could be enhanced with sector experience in digital, hospitality and/or services. This ultimately led to the appointment of Patrick Dempsey as a Non-Executive Director, effective 1 March 2016

## TRAINING

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

# NOMINATION COMMITTEE REPORT

PHIL WHITE, CHAIR – NOMINATION COMMITTEE

## NOMINATION COMMITTEE CHAIR'S OVERVIEW

The Nomination Committee helps ensure that the Board has the correct balance of skills, experience, independence and knowledge. As well as driving new appointments, it also drives Board succession planning. It is critical that the Nomination Committee anticipates the Group's challenges and opportunities – and the increasingly competitive environment we operate in – so we can help future proof the Board with the appropriate diversity of skills and experience.

During the year, the Nomination Committee's focus has been on enhancing the skills of the Board to ensure we meet our strategic objective of becoming the most trusted brand in the sector. Recognising the ever more demanding expectations of our customers and Universities, the Committee felt it important to enhance the Board with skills in digital, hospitality and services. This led to the appointment of Patrick Dempsey and I look forward to him joining us on 1 March 2016.

PHIL WHITE
**Chair – Nomination Committee**
23 February 2016

## COMMITTEE OVERVIEW

### Composition

The Committee is comprised entirely of Non-Executive Directors. The members of the Committee are set out on page 55 of the Corporate Governance Statement. At the invitation of the Committee, any other Director or other person may be invited to attend meetings of the Committee if considered desirable in assisting the Committee in fulfilling its role.

### Role

The role of the Committee is to:

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

## ACTIVITIES IN 2015

### Succession planning

As an integral part of our executive succession planning, we established a comprehensive senior leadership development programme (part of a broader skills development programme) to grow and nurture our talent and develop our high potential, high performers. This ensures we have a clear talent pipeline for future Board appointments.

### Review of Board composition

The Committee identified it is important to enhance the Board with skills in digital, hospitality and services and this ultimately led to recommending the appointment of Patrick Dempsey as a Non-Executive Director. Reviewing the Board's composition to ensure it has the correct balance of skills, experience, independence and knowledge is an important part of the Committee's work.

## BOARD DIVERSITY

We recognise that diversity, including gender, at Board level and across the Group is critical to our continued success, particularly in a business that provides homes for over 46,000 students from many diverse backgrounds and countries. We are proud of the diversity of the Group as a whole, an organisation made up of employees who, like our customers, are from many different backgrounds and countries and have diverse experiences, perspectives and skills. During 2015, the Group enhanced its skills development programme introducing both line management and leadership development programmes to develop our senior leadership succession pipelines. The programmes are developing a coaching culture to support growing and empowering our employees in delivering Home for Success as well as enabling our employees' voice.

The Nomination Committee considered during 2015 whether it wanted to set specific targets for female representation on the Board, or other diversity targets. 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.

## INTERNAL CONTROL

The Board has overall responsibility for the Group's risk management and internal control systems and monitors these on an ongoing basis. However, such a system is designed to achieve business objectives and can only provide reasonable, not absolute, assurance against material mis-statement.

Through reports from the Board's Committees, the Group's Risk Committee and the Group's business units (Operations and Property), the Board has reviewed the effectiveness of the Group's systems of internal controls and risk management for the period covered by the annual report and accounts and has concluded that such systems 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. The Audit Committee acts on behalf of the full Board, and the matters reviewed and managed by the Audit Committee remain the responsibility of the Directors taken as a whole.

## GOING CONCERN

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

## RISK MANAGEMENT

The Board, when setting the strategy, also determines the nature and extent of the principal risks and its risk appetite in implementing this strategy. Each year the Board reviews the effectiveness of the Group's risk management systems and how the Board did this during 2015 is set out on pages 26.

## BUSINESS MODEL

For a description of the Group's Business Model, see page 14 of the Strategic Report.

MANJIT WOLSTENHOLME, CHAIR – AUDIT COMMITTEE

## AUDIT COMMITTEE CHAIR'S OVERVIEW

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

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

During 2015, the Committee has continued to monitor the integrity of the Group's financial statements and (conscious of the enhanced requirements under the revised Corporate Governance Code) supported the Board with its ongoing monitoring of the Group's risk management and internal control systems. The Committee also determined the focus of the Group's internal audit activity and reviewed its findings and verified that recommendations were being appropriately implemented. In addition, recognising the value of an effective whistleblowing channel, the Committee reviewed arrangements for the Group's employees to raise concerns in confidence.

The Group has tendered the external audit during 2015 and appointed Deloitte as the Group's auditors with effect from May 2015. We are satisfied with the auditor's independence and have recommended to the Board that they be re-appointed in 2016.

MANJIT WOLSTENHOLME
**Chair – Audit Committee**
23 February 2016

# AUDIT COMMITTEE REPORT

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

## ROLE OF THE AUDIT COMMITTEE

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

The key objectives of the Audit Committee are:

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

## COMPOSITION OF THE AUDIT COMMITTEE

The members of the Committee are set out on page 55 of this Corporate Governance Statement. The Committee members are all independent Non-Executives and have been selected with the aim of providing the wide range of financial and commercial expertise necessary to fulfil the Committee's duties. The Board considers that as a chartered accountant I have recent and relevant financial experience.

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

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

## COMMITTEE MEETINGS

The Committee meet four times during the year and attendance at those meetings is shown on page 58 of this Corporate Governance Statement.

## MAIN ACTIVITIES OF THE COMMITTEE DURING THE YEAR

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

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

The external audit contract was tendered during the year leading to the appointment of Deloitte. As part of this tender process, the Committee considered the independence of the external auditor, the proposed audit approach and the scope of the audit as well as the proposed fees. The effectiveness of the new auditor will be considered during 2016.

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

## FINANCIAL REPORTING

The primary focus of the Committee, in relation to financial reporting in respect of the year ending 31 December 2015, was to review with both management and the external auditor the appropriateness of the half year and annual financial statements concentrating on:

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

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

- A review of what fair, balanced and understandable means for Unite
- The high level of input from the Chief Executive Officer and Chief Financial Officer with early opportunities for the Board to review and comment on the Annual Report
- Ensuring consistency in the reporting of the Group's performance and management information (as described on pages 26-27), risk reviews (as described on pages 31-34), business model and strategy (as described on page 14)
- A cross-check between Board minutes and the Annual Report is undertaken to ensure that reporting is balanced
- Whether information is presented in a clear and concise manner, illustrated by appropriate KPIs to facilitate shareholders' access to relevant information

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

## SIGNIFICANT ISSUES CONSIDERED BY THE COMMITTEE

After discussion with both management and the external auditor, the Committee determined that the key risk of misstatement of the Group's 2015 financial statements related to:

- Property valuations
- Deferred tax assets
- Joint venture accounting

## PROPERTY VALUATIONS

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

During the year, the Committee and/or the Board met with all three of the Group's valuers and challenged them on the basis of their valuations and their core assumptions, including the yield for each property, rental growth and forecast costs.

The Committee questioned the external valuers on market trends and transactional evidence that supports the valuations. The Committee was satisfied that the Group's valuers were appropriately qualified and provided an independent assessment of the Group's assets. The Committee was satisfied that an appropriate valuation process had taken place, the core assumptions used were reasonable and hence the carrying value of investment and development properties in the financial statements was appropriate.

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

Further analysis and detail on asset valuations is set out on page 39.

## DEFERRED TAX ASSETS

The Group has significant tax losses brought forward from prior years. Recognition of a deferred tax asset relating to these losses is only made when it is probable that these losses will be utilised in the future and it is therefore dependent on recognised deferred tax liabilities and forecast taxable profits. The latter involves significant judgements and assumptions regarding future performance and the ability to utilise the tax losses. For entities subject to Corporation Tax within the Group, all losses have been offset as far as possible against the deferred tax liabilities arising on the revalued properties, therefore the previous judgement required regarding forecast taxable profits and the recognition of previously unrecognised losses has been removed.

For the entities subject to non-resident landlord (NRL) tax the deferred tax assets exceed the deferred tax liabilities, as such judgement is still required to support the recognition of the provision in relation to future taxable profits. This is supported by forecasts of the Group results, prepared by management and reviewed at Board level. Due to the proposed conversion to REIT status in early January 2017, Management consider losses at the end of the next financial year unlikely to be used and have not provided for a deferred tax asset in relation to them for the NRL entities. Due to the value of the unrecognised deferred tax asset in relation to the NRL entities, this represents a significantly lower level of judgement than in prior reporting periods.

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 with management's approach and subsequent recognition of a deferred tax asset within the financial statements in relation to the NRL entities.

Further analysis and detail on deferred tax is set out on page 42.

## JOINT VENTURE ACCOUNTING

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

The Group adopted IFRS 10 – 12 for the 2014 financial year which provides guidance on how an investor should account for its interests in other entities, including a definition of control and guidance on how to classify and account for jointly controlled arrangements. During the year, management reviewed its assessment for both USAF and LSAV, following the detailed analysis performed during 2014 and considered there had been no material change. The Committee considered this and agreed there was no material change and accordingly it was appropriate to continue to account for USAF and LSAV as a joint venture under IFRS 11, with Unite recording its 21% share of the results and net assets of USAF as a joint venture using equity accounting and, likewise, 50% for LSAV.

## RISK MANAGEMENT

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

Our work here was driven primarily by performing an assessment of the approach taken by the Group's Risk Committee, chaired by Joe Lister, Chief Financial Officer. The Risk Committee is responsible for the delivery of the Group's risk management framework, which the Committee has approved, and the Group's assessment of its principal risks and uncertainties, as set out on pages 31-34.

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

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

## INTERNAL CONTROLS

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

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

## INTERNAL AUDIT

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

The Committee considered and approved the scope of the internal audit activity to be undertaken during 2015 and looking forward on a rolling three year basis. The Committee also discussed and challenged the output from the internal audit reviews undertaken in the prior year and concluded that the reviews provided good support for statements made by management and that the control environment is solid in the areas tested over the last three years.

During the year, PwC focused their internal audit work on corporate governance, information security, payroll, treasury and our capital operating guidelines. PwC concluded that management had made good progress on information security since an earlier review in 2013. The other areas of internal audit work were reviewed for the first time and overall PwC concluded that controls were well designed and are operating effectively. Since PwC first reported on internal controls in 2011, it was noted that in each subsequent reporting period there has been an improvement in the overall control environment.

## EXTERNAL AUDIT

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

For the 2015 financial year, the significant risks identified were in relation to the valuation of properties, deferred tax assets and the classification of joint ventures due to the inherent management judgement required in these areas. These areas were discussed at the Committee and it was agreed that they should be the principal areas of focus as they represent the areas with the greatest level of judgement and materially impact the overall performance of the Group. These risks are tracked through the year and we challenged the work done by the auditor to test management's assumptions and estimates around these areas.

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

For the 2015 financial year, the Committee was satisfied that there had been appropriate focus and challenge on the primary areas of audit risk and assessed the quality of the audit process to be good. We hold private meetings with the external auditor at each Committee meeting to provide additional opportunity for open dialogue and feedback from the Committee and the auditor without management being present. Matters typically discussed include:

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

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

## INDEPENDENCE AND EXTERNAL AUDIT TENDER

During the year, the Group tendered the Group audit and appointed Deloitte as the external auditor following a robust review.

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

The Committee has been keen for the new auditors to settle quickly into their role and provided a number of opportunities to visit properties and meet key employees on formal and informal occasions prior to the commencement of their work to help them familiarise themselves with the business. The Committee is pleased with the insights brought by the new audit team and the start they have made.

An assessment of Deloitte's effectiveness, its processes, audit quality and performance will be undertaken after completion of this year's audit.

During the year, the Company has complied with the provisions of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

## NON-AUDIT SERVICES

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

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

Throughout 2015, no fees have been paid to the Group's auditor (Deloitte) for non-audit services. During the year, Deloitte charged the Group £0.3 million for audit services. The Committee approved the fees for audit services for 2015 after a review of the level and nature of work to be performed, including the impact of acquisitions, and after being satisfied by Deloitte that the fees were appropriate for the scope of the work required. These fees are also benchmarked against other listed real estate companies of comparable size and complexity.

## COMMITTEE EVALUATION

The Committee's activities formed part of the evaluation of Board effectiveness performed in the year. Details of this process can be found under 'Performance evaluation' on page 60.

# HEALTH & SAFETY COMMITTEE REPORT

## SIR TIM WILSON, CHAIR – HEALTH & SAFETY COMMITTEE

## HEALTH & SAFETY COMMITTEE CHAIR'S OVERVIEW

Unite Students is home to over 46,000 students, often for the first time they have lived away from their parents, and their safety, welfare and security is critical not only to us but also our other key stakeholders, such as parents and Universities as well as the police and fire services.

The Health & Safety Committee ensures the governance of health & safety, recognising that safety is fundamental to the business's reputation and to becoming the most trusted brand in the sector.

During the year, the Group rolled out 'Keep uS Safe', a campaign to embed further the importance of our safety culture. We also implemented a new process for internal and external city audits to help improve and ensure consistent nationwide safety compliance. Fire is the biggest safety risk in our operating properties and we delivered a successful fire safety campaign to students living with us.

As we continue the roll out of our development pipeline, we have more schemes under construction where the health and safety risks are at their highest and safety governance becomes even more critical. After more than 1.1m man hours in 2015 across our seven schemes, I am pleased to report zero reportable accidents and a KPI of 2.06 (against an industry benchmark of 5.0) for non-reportable accidents (further details of the KPI are below). Also, I am pleased to report our scores from the Considerate Constructors Scheme (CCS) remain high, with our sites ranking in the top 10% in the country in terms of safety, community, appearance, environment and employee wellbeing. CCS has invited Unite Students to become a client partner in order to promote best practice at client level.

Our focus for 2016 is on continuous improvement and accordingly we plan to implement the HSG65 safety management framework (detailed further below). We will look to further embed a safety culture throughout the organisation, recognising that consistency on safety is key, especially with our number of beds and construction schemes increasing.

## SIR TIM WILSON

**Chair – Health & Safety Committee**

23 February 2016

## COMMITTEE OVERVIEW

**Composition**

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

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

## ROLE

The role of the Health & Safety Committee is to:

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

## ACTIVITIES IN 2015

**Operations**

We rolled out 'Keep uS Safe'. This campaign included crisis management guides and student fire safety awareness content. Safety support services team led the city teams on monthly site internal audits coordinated with external safety audits undertaken by Quantum Compliance.

We continued successful embedding of our electronic incident reporting system ('AIMS') and the introduction of a fire risk assessment portal. AIMS provides easy access to detailed data across our properties, informing our targeted investment in safety critical systems for fire, gas, water hygiene as well as expanding our planned preventative maintenance.

To improve contractor management, we set up a 'safe contractor' system, which included a 'Managing Contractors' e-learning course and robust procedures for managing contractors at a local level.

We expanded our job specific safety training with safety development plans and a job related training matrix. Senior executives attended an Institution of Occupational Safety and Health (IOSH) course to refresh director responsibilities on health and safety compliance.

Our number of reportable injuries (under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 – RIDDOR) has remained low with four in 2015, comprising three employees and one visitor being injured.

**Development/construction**
In our development and construction activity, our performance is within our Unite Students internal benchmarks (0.3 for reportable and 5.0 for non-reportable), beating the industry standard. Our KPI formula is calculated as 'No. of accidents x 100,000/man hours'. After 1,167,608 man hours in 2015, we had zero reportable accidents across our seven schemes and a KPI of 2.06 for non-reportable accidents.

## TOTAL REPORTABLE INCIDENTS IN 2015

| Project | Man hours | Incidents | No of site inductions | KPI (0.3) |
|---|---|---|---|---|
| Trenchard Street | 264,280 | 0 | N/A | 0.00 |
| Angel Lane | 201,585 | 0 | N/A | 0.00 |
| Stapleton House | 148,036 | 0 | 538 | 0.00 |
| Olympic Way | 138,839 | 0 | 457 | 0.00 |
| Greetham St | 258,220 | 0 | 1,048 | 0.00 |
| Causewayend | 114,040 | 0 | 475 | 0.00 |
| Far Gosford | 33,932 | 0 | 272 | 0.00 |
| Tara House | 8,676 | 0 | 95 | 0.00 |
| **TOTALS** | **1,167,608** | **0** | **2,885** | **0.00** |

## TOTAL NON-REPORTABLE INCIDENTS IN 2015

| Project | Man hours | Incidents | No of site inductions | KPI (5.0) |
|---|---|---|---|---|
| Trenchard Street | 264,280 | 9 | N/A | 3.41 |
| Angel Lane | 201,585 | 0 | N/A | 0.00 |
| Stapleton House | 148,036 | 0 | 538 | 0.00 |
| Olympic Way | 138,839 | 4 | 457 | 2.88 |
| Greetham St | 258,220 | 4 | 1,048 | 1.55 |
| Causewayend | 114,040 | 5 | 475 | 4.38 |
| Far Gosford | 33,932 | 2 | 272 | 5.89 |
| Tara House | 8,676 | 0 | 95 | 0.00 |
| **TOTALS** | **1,167,608** | **24** | **2,885** | **2.06** |

Collaton Safety Management inspects all sites on a monthly basis and our results continue above 4.0 ('good practice') consistently throughout 2015.

During the year, we have also successfully implemented the Construction (Design and Management) Regulations 2015 (CDM 2015 Regulations), which will help us identify and reduce risk further at design stage.

## PRIORITIES FOR 2016

During 2016, we plan to develop and implement a health and safety management system based on HSG65, a Health and Safety Executive (HSE) approach to safety management which takes a 'plan, do, check, act' approach. This helps ensure safety management is an integral part of good management generally, rather than a stand-alone item. We will also refresh the Group H&S policy to identify areas for improvement. Particular attention will be on policies for student security, safeguarding and emergency preparedness and response.

We are also looking to develop further engagement with the fire authorities across the country, conscious that fire is our biggest safety risk in our operating properties.

In our property development and construction activity, 2016's focus will be on continuous improvement. In particular, a focus on construction site housekeeping and tidiness. This was the main cause of slips and trips during 2015 (leading to the non-reportable accidents mentioned above) and we will introduce a specific KPI for site housekeeping to drive improvement in performance.

# ANNUAL STATEMENT OF THE CHAIR OF THE REMUNERATION COMMITTEE

ELIZABETH MCMEIKAN, CHAIR – REMUNERATION COMMITTEE

## DEAR SHAREHOLDER,

On behalf of the Board, it is my pleasure to present the Directors' Remuneration Report for 2015.

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

As demonstrated in the Financial Highlights section on page 1, 2015 has been another year of exceptional performance for The Unite Group. Financial performance has been headlined by growth in recurring profits, significantly higher NAV, a further reduction in see-through loan-to-value ratio, and another increase in annual dividend. Last year's launch of Home for Success has contributed towards even higher levels of customer satisfaction, placing us firmly within the top quartile against our benchmark.

With this in mind, the Committee's key decisions during the year related to the following areas:

## ANNUAL BONUS OUTCOMES FOR THE FINANCIAL YEAR

Executive Directors will receive bonuses of 127% of their respective base salaries (cf. a maximum of 144% of salary). The proposed bonuses reflect both the continued strong financial performance of the group and the exceptional individual contributions made by each of the Executive Directors over the last year. As in each of the last two years, having carefully considered performance against individual objectives, as well as the performance of the Group as a whole, the Committee approved a maximum personal performance multiplier for each Executive Director. A summary of the key achievements for each individual taken into account in making this decision is included on page 82.

## LONG-TERM INCENTIVES

Executive Directors were each granted an award under the Long-Term Incentive Plan (LTIP) during the year based on performance over the three financial years to 31 December 2017. These awards will vest to the extent that challenging earnings per share, total return and relative total shareholder return (TSR) targets are achieved over the period, with one-third of any award vesting required to be held for an additional year.

Performance share awards made in April 2013 vested on performance to 31st December 2015. These awards were based on net asset value, net portfolio contribution (NPC) and TSR outperformance of the FTSE 350 Real Estate Supersector Index. The Company exceeded maximum targets for each element, resulting in 100% of the original award vesting. The Committee is satisfied that the implied vesting level reflects the underlying performance of the Company. Consistent with the rules of the plan, these awards will vest in tranches with two-thirds released on the third anniversary of grant in April 2016, and the remaining one-third being released after a further year-long holding period.

## ADJUSTMENTS FOLLOWING PLACING

During the year, Unite raised £115 million through a share placing. Following the placing, and consistent with the approach taken last year, the Remuneration Committee evaluated the potential impact on the outcomes of short- and long-term incentives in respect of 2015 performance. The Committee concluded that the only adjustment necessary was in respect of NPC under the 2013 LTIP, and the NPC outcome under this element has therefore been adjusted downwards. However, this element is still vested in full. Further details are included on page 74.

## PROPOSED CHANGES TO UNITE'S EXECUTIVE REMUNERATION POLICY

Whilst 2015 performance has been exceptional, Unite's performance is equally impressive when viewed over a longer period; NAV per share has increased from 295p in 2010 to 579p in 2015, EPRA EPS is up from (3)p to 23p over the same period, and we have moved from a position of having suspended dividends to paying the largest dividend in our 25-year history last year. Our operational portfolio has continued to grow steadily, with total beds now around 46,000 (cf. c. 40,000 in 2010), occupancy at 99% and a strong pipeline going into the next three years, consolidating our position as the UK's leading student accommodation provider in a growing market. An investment of £100 in Unite shares in December 2010 would be worth c. £363 as at 31 December 2015 (TSR of c. 29% per annum), compared to c. £196 (c. 14% per annum) for a similar investment in the FTSE 350 Real Estate Supersector Index, while the Company's market capitalisation of c. £1.45bn now ranks c.200th in the FTSE.

Although the current Directors' Remuneration Policy was approved by shareholders at the 2014 AGM, our executive remuneration programme has in fact remained unchanged for the last five years, in terms of both structure and quantum.

More substantial changes have taken place across the broader organisation, where Unite has implemented a number of initiatives aimed at rewarding the hard work and value created by our employees, including the adoption of a Living Wage from March last year, the payment of a universal tenure-based bonus of between 2.5% and 10% of salary to all non-Board employees in 2015 in addition to normal bonus arrangements, and the introduction of targeted longer-term incentives for selected senior management. With these initiatives in place, and against the backdrop of stellar financial and operational performance, the Committee undertook to review the overall remuneration of Executive Directors at the end of last year.

The general conclusion from the review was that the current remuneration structure (base salary, benefits, a bonus plan and a single long term incentive plan) remains appropriate for Unite, and that changes to performance measures made in recent years appropriately reflect business strategy. The aforementioned increase in size of the company, the increase in scale of our operations, and the increased competition for talent in the student housing sector do, however, mean that total executive remuneration has fallen below market rates versus comparable companies.

The Committee is proposing a number of changes to restore the competitiveness of pay in a balanced manner, through both base pay and awards under the long-term incentive plan. Increases to long-term incentive opportunities constitute the majority of the proposed quantum changes, reflecting the Committee's focus on motivating the delivery of sustainable long-term performance and ensuring alignment with our shareholders. We are also taking this opportunity to implement a number of broader best practice changes relating to holding periods, clawback and increased shareholding guidelines.

Further details of the proposed changes as they will apply over the next couple of years are set out in the table below:

| Element | Proposed changes and rationale |
|---|---|
| Base salaries | Salaries for the CEO and CFO will be increased by 6%, and salaries for the two managing directors will be increased by 9% from 1 March 2016. However, this still leaves the two managing directors salaries below the level we feel they should be at, given their level of experience and individual contribution to the success of the business. Therefore, and subject to continued strong performance over 2016, salaries for the managing directors will be increased by an additional c.9% effective 1 March 2017. Proposed increases reflect Unite's strong performance, an increase in scale of operations and the demand for talent in the student housing sector. The staged approach to increases for the managing directors is designed to help ensure that there is no reward for failure, and allows the Committee to assess performance again before finalising the second increase next year. |
| LTIP | Normal/exceptional opportunities under the LTIP will be increased from 150%/200% of salary to 200%/300% of salary and all four executives will be granted an LTIP award equivalent to 200% of salary for 2016. Shares will be subject to a mandatory two-year holding period at the end of the three-year performance period, rather than the current system of deferring one-third of vested shares for a single year. This approach ensures that the majority of the increase in reward is directly linked to Unite's longer-term performance against KPIs, and affords the Committee greater flexibility year-on-year to adjust reward opportunities to reflect company performance than a pure increase in fixed pay would. |
| Clawback provisions | Consistent with best practice in this area, clawback provisions will be introduced on both annual bonus and LTIP, in addition to the current malus provisions. |
| Shareholding guidelines | To reflect the increased LTIP opportunity and provide further shareholder alignment, Executive Director ownership guidelines will be increased by 50% of salary: from 200% to 250% of salary for the CEO, and from 150% to 200% of salary for the other three executive directors. Executive Directors will continue to receive up to 50% of any annual bonus in deferred Unite shares until these guidelines have been met. |

The Committee has consulted on the proposed changes with major shareholders who represent around two-thirds of the issued share capital, as well as key UK institutional investors. Feedback on the proposals has been positive and we are therefore seeking shareholder support at the 2016 AGM to make these changes.

ELIZABETH MCMEIKAN
**Chair – Remuneration Committee**
23 February 2016

# DIRECTORS' REMUNERATION POLICY

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

In accordance with the Regulations, the following sections of the Remuneration Report are subject to audit: the single total figure of remuneration for Directors and accompanying notes (pages 81 to 83), scheme interests awarded during the financial year (pages 84 to 85), payments to past directors (page 85), payments for loss of office (page 85) and the statement of directors' shareholdings and share interests (pages 88 to 89). The remaining sections of the report are not subject to audit.

The Committee is seeking shareholder approval for a new remuneration policy at the 2016 AGM, with the principal changes compared to the previously approved policy being the following:

- Maximum opportunities under the LTIP have been increased from 150% of salary to 200% of salary in normal circumstances, and from 200% of salary to 300% of salary in exceptional circumstances
- Shareholding guidelines have been increased by 50% of salary for each Executive Director: to 250% of salary for the Chief Executive and 200% of salary for other Executive Directors
- The current policy on LTIP holding periods has been updated to provide that any shares vesting in relation to awards made from 2016 onwards will be subject to a mandatory two-year holding period (cf. one-third deferred for a single year currently)
- Clawback provisions will be included on variable incentives, in addition to the current malus provisions

## POLICY TABLE

| Function | Operation |
|---|---|
| **Base salary**<br>To recognise the individual's skills and experience and to provide a competitive base reward. | Base salaries are reviewed from time to time, with reference to salary levels for similar roles at comparable companies[1], to individual contribution to performance; and to the experience of each Executive. |
| **Pension**<br>To provide an opportunity for executives to build up income for retirement. | All Executives are either members of The UNITE Group personal pension scheme or receive a cash pension allowance.<br>Salary is the only element of remuneration that is pensionable. |
| **Benefits**<br>To provide non-cash benefits which are competitive in the market in which the executive is employed. | Executives receive benefits which consist primarily of the provision of a company car or a car allowance, and private health care insurance, although benefits can include any such benefits that the Committee deems appropriate. |
| **SAYE**<br>To encourage the ownership of shares in Unite. | An HMRC approved scheme whereby employees (including Executive Directors) may save up to the maximum monthly savings limit (as determined by prevailing HMRC guidelines) over a period of three years. Options granted at a 20% discount. |

1 Remuneration peer companies have historically included the constituents of the FTSE350 Real Estate Index and UK-listed companies of similar market capitalisation. The Committee reviews comparator groups periodically to ensure they remain appropriate and retains the discretion to change companies.

## 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 these factors, taking account of prevailing best practice, investor expectations and the level of remuneration and pay awards made generally to employees of the Group.

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

- A significant proportion of remuneration should be tied to the achievement of specific and stretching performance conditions that align remuneration with the creation of shareholder value and the delivery of the Group's strategic plan
- There should be a focus on sustained long-term performance, with performance measured over clearly specified timescales, encouraging executives to take action in line with the Group's strategic plan, using good business management principles and taking well-considered risks
- Individuals should be rewarded for success, but steps should be taken, within contractual obligations, to prevent rewards for failure

This section of the report sets out the policy for Executive Directors which the Company is asking shareholders to approve at the 2016 AGM. It is intended that the revised policy will come into effect from that date.

| 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. Following a review of remuneration, 2016 salary increases of between 6% and 9% are proposed, further details of which are included in the Annual Report on Remuneration on page 70. Subject to continued strong performance over the coming year, salaries for the managing directors will be increased by an additional c.9% effective 1 March 2017.<br><br>Notwithstanding these proposed increases, in respect of existing Executive Directors it is anticipated that salary increases will generally be in line with those of salaried employees as a whole. In exceptional circumstances (including, but not limited to, a material increase in job size or complexity) the Committee has discretion to make appropriate adjustments to salary levels to ensure that they remain market competitive. | None. |
| 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.<br>The Committee retains the discretion to approve a higher cost in certain circumstances (e.g. relocation) or in circumstances where factors outside the company's control have changed materially (e.g. increases in insurance premiums). | None. |
| Savings are capped at the prevailing HMRC limit at the time employees are invited to participate. | None. |

## POLICY TABLE CONTINUED

| Function | Operation |
|---|---|
| **Performance related annual bonus**<br>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 each year.<br>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.<br>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.<br>Awards under the performance related annual bonus are subject to malus and clawback provisions, further details of which are included as a note to the policy table. |
| **LTIP**<br>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).<br>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.<br>Award levels and performance conditions are reviewed before each award cycle to ensure they remain appropriate and no less stretching than the first cycle.<br>Awards under the LTIP are subject to malus and clawback provisions, further details of which are included as a note to the policy table. |

| Opportunity | Performance metrics |
|---|---|
| For Executive Directors, the maximum annual bonus opportunity is 144% of base salary, comprising:<br>• A maximum bonus under the corporate element of 120% of salary<br>• A maximum multiplier under the individual element of 1.2, with a range of zero to 1.2<br>Achieving on-target performance warrants a bonus equivalent to 70% of salary. For threshold level performance, the bonus will be 50% of base salary. | Performance is assessed on an annual basis, as measured against specific objectives set at the start of each year. The measures typically include both financial and non-financial metrics as well as the achievement of personal objectives.<br>Corporate measures will be weighted appropriately each year according to business priorities. Measures may include, but are not limited to, adjusted EPS, total return growth, the ratio of net debt to EBITDA and customer satisfaction. Weightings that apply to each measure 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.<br>The individual element is based on the Committee's assessment of an executives' personal performance over the course of the year, as measured by the performance development programme review.<br>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.<br>Further details of the measures, weightings and targets applicable are provided on page 82. |
| The LTIP provides for an award up to a normal aggregate limit of 200% of salary for Executive Directors, with an overall limit of 300% of salary in exceptional circumstances.<br>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).<br>A payment equal to the value of dividends which would have accrued on vested shares will be made following the release of awards to participants; either in the form of cash or as additional shares. | Vesting of LTIP awards is subject to continued employment and performance against three equally-weighted measures, which are currently as follows:<br>• Adjusted earnings per share (EPS);<br>• Total return (TR); and<br>• Relative total shareholder return (TSR)<br>The Committee has the discretion to adjust the performance measures to ensure that they continue to be linked to the delivery of Company strategy.<br>Under each measure, threshold performance will result in 25% of maximum vesting for that element, rising on a straight-line to full vesting.<br>Awards made under the LTIP will have a performance period of at least three years and a minimum vesting period of three years. If no entitlement has been earned at the end of the relevant performance period, awards will lapse. A proportion of vested awards may, at the discretion of the Committee, be subject to a mandatory holding period following the end of a three-year vesting period. The Committee's intention is that under future LTIP cycles, all awards will be required to be held for an additional two year period post-vesting.<br>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.<br>Details of the targets to be used in future LTIP grants are included in the Annual Report on Remuneration. |

## NOTES TO THE POLICY TABLE

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

### Performance measure selection and approach to target setting

Measures used under the performance related annual bonus and LTIP are selected annually to reflect the Group's main short- and long-term objectives and reflect both financial and non-financial priorities, as appropriate.

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

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

### Remuneration policy for other employees

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

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.15 individuals) are eligible to participate in the LTIP with annual awards currently up to 50% of salary. 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 employees below Board level.

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

### Shareholding guidelines

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

### Malus and clawback

Awards under the performance related annual bonus and the LTIP are subject to malus and, from 2016, clawback provisions which can be applied to both vested and unvested awards. Clawback provisions will apply for a period of at least two years post-vesting. Circumstances in which malus and clawback may be applied include a material misstatement of the Company's financial accounts, gross misconduct on the part of the award-holder and error in calculating the award vesting outcome.

## NON-EXECUTIVE DIRECTOR REMUNERATION

| Non-Executive Director | Date of service contract |
|---|---|
| P M White | 10 January 2009 |
| R J T Wilson | 1 December 2010 |
| M Wolstenholme | 1 December 2011 |
| A Jones | 18 October 2012 |
| E McMeikan | 13 November 2013 |
| P Dempsey | 1 March 2016 |

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 2016 in the case of Andrew Jones; at the annual general meeting in 2017 in the case of Elizabeth McMeikan and Sir Tim Wilson; and at the 2018 annual general meeting in the case of Phil White and Manjit Wolstenholme. Patrick Dempsey will join the Board as a Non-Executive Director with effect from 1 March 2016. The appointment and re-appointment and the remuneration of Non-Executive Directors are matters reserved for the full Board.

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

Details of the policy on fees paid to our Non-Executive Directors are set out in the table on page 77:

## NON-EXECUTIVE DIRECTOR POLICY TABLE

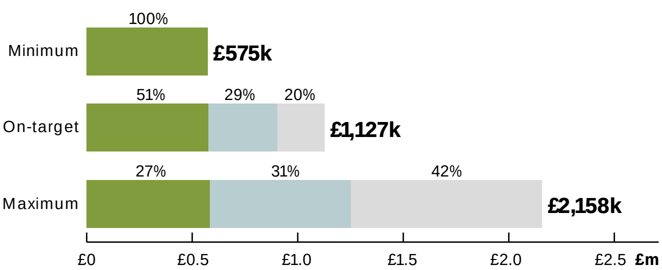
| Function | Operation | Opportunity | Performance metrics |
|---|---|---|---|
| **Fees**<br>To attract and retain Non-Executive Directors of the highest calibre with broad commercial and other experience relevant to the Company. | Fee levels are reviewed annually, with any adjustments effective 1 January in the year following review.<br>The fees paid to the Chairman are determined by the Committee, whilst the fees of the Non-Executive Directors are determined by the Board.<br>Additional fees are payable for acting as Senior Independent Director and as Chairman of any of the Board's Committees (Audit, Remuneration, Nomination and Health & Safety).<br>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 2016 are set out in the Annual Report on Remuneration.<br>Fee levels will be next reviewed during 2016, with any increase effective 1 January 2017.<br>It is expected that increases to Non-Executive Director fee levels will be in line with salaried employees over the life of the policy. However, in the event that there is a material misalignment with the market or a change in the complexity, responsibility or time commitment required to fulfil a Non-Executive Director role, the Board has discretion to make an appropriate adjustment to the fee level. | None |

## PAY FOR PERFORMANCE SCENARIOS

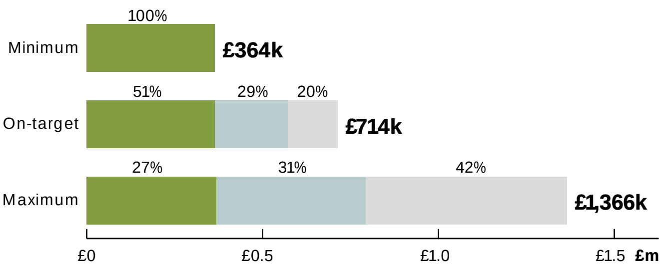
The charts below provide an illustration of the potential future reward opportunities for the Executive Directors, and the potential split between the different elements of remuneration under three different performance scenarios: 'minimum', 'on-target' and 'maximum'.

Potential reward opportunities are based on Unite's remuneration policy, applied to the base salaries effective 1 March 2016. The annual bonus and LTIP are based on the maximum opportunities set out under the remuneration policy for normal circumstances; being 144% of salary and 200% of salary respectively. Note that the LTIP awards granted in a year do not normally vest until the third anniversary of the date of grant, and the projected value is based on the face value at award rather than vesting (i.e., the scenarios exclude the impact of any share price movement over the period).

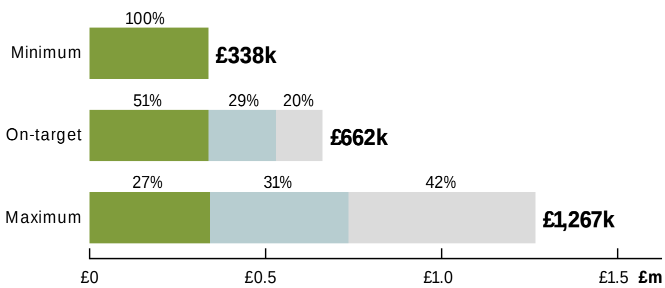
**Mark Allan**



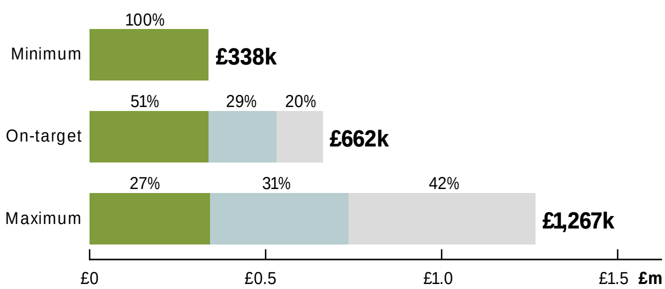

**Joe Lister**




**Richard Simpson**




**Richard Smith**




■ Salary, pension and benefits ■ Annual bonus ■ LTIP

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

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

The 'maximum' scenario reflects fixed remuneration, plus full payout of all incentives.

## APPROACH TO RECRUITMENT REMUNERATION

**External appointment**

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

| Component | Approach | Maximum annual grant value |
|---|---|---|
| **Base salary** | The base salaries of new appointees will be determined by reference to relevant market data, experience and skills of the individual, internal relativities and their current basic salary. Where new appointees have initial basic salaries set below market, any shortfall may be managed with phased increases over a period of two to three years subject to the individual's development in the role. | |
| **Pension** | New appointees will receive pension contributions or an equivalent cash supplement in line with existing policy. | |
| **Benefits**<br>**SAYE** | New appointees will be eligible to receive benefits which may include (but are not limited to) the provision of a company car or cash alternative, private medical insurance and any necessary relocation expenses. New appointees will also be eligible to participate in all-employee share schemes. | |
| **Performance related annual bonus** | The structure described in the policy table will apply to new appointees with the relevant maximum being pro-rated to reflect the proportion of employment over the year. Targets for the individual element will be tailored to each executive. | 144% of salary |
| **LTIP** | New appointees will be granted awards under the LTIP on the same terms as other executives, as described in the policy table. The normal aggregate limit of 200% of salary will apply, save in exceptional circumstances where up to 300% of salary may be awarded. | 300% of salary |

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

## INTERNAL PROMOTION

In cases of appointing a new Executive Director by way of internal promotion, the Remuneration Committee and Board will be consistent with the policy for external appointees detailed above. Where an individual has contractual commitments made prior to their promotion to Executive Director level, the Company will continue to honour these arrangements. The Remuneration policy for other employees is set out on page 79. Incentive opportunities for below Board employees are typically no higher than Executive Directors, but measures may vary to provide better line-of-sight.

## NON-EXECUTIVE DIRECTORS

In recruiting a new Non-Executive Director, the Remuneration Committee will utilise the policy as set out in the table on page 79. A base fee in line with the prevailing fee schedule would be payable for Board membership, with additional fees payable for acting as Senior Independent Director and/or as Chairman of the Board's Committees.

## SERVICE CONTRACTS AND TREATMENT FOR LEAVERS AND CHANGE OF CONTROL

Executive Director service contracts, including arrangements for early termination, are carefully considered by the Committee. In accordance with general market practice, each of the Executive Directors has a rolling service contract requiring 12 months' notice of termination on either side. Such contracts contain no specific provision for compensation for loss of office, other than an obligation to pay for any notice period waived by the Company, where pay is defined as salary, benefits and any other statutory payments only. Executive Director service contracts are available to view at the Company's registered office.

| 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 |

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

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

## EXTERNAL APPOINTMENTS

With the approval of the Board in each case, and subject to the overriding requirements of the Group, Executive Directors may accept external appointments as Non-Executive Directors of other companies and retain any fees received. Effective 1 August 2014, Mark Allan became a Trustee Director of Anchor Trust for which he will retain fees of £25k p.a. None of the other Executive Directors currently hold external appointments.

## CONSIDERATION OF CONDITIONS ELSEWHERE IN THE COMPANY

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

## CONSIDERATION OF SHAREHOLDER VIEWS

The Remuneration Committee maintains a regular dialogue with its major shareholders, and most recently consulted with shareholders representing around two-thirds of Unite's issued share capital regarding proposed changes to the Company's remuneration policy. The Committee will continue to monitor trends and developments in corporate governance and market practice to ensure the structure of the executive remuneration remains appropriate.

| **Reason for leaving** | Calculation of vesting/payment |
|---|---|
| **Annual bonus** | |
| Resignation | No annual bonus payable. |
| 'Good' leaver[1]<br>Change of control | Cash bonuses will only be paid to the extent that financial and individual objectives set at the beginning of the year have been met. Any resulting bonus will be pro-rated for time served during the year. |
| **LTIP** | |
| Resignation | Outstanding awards lapse |
| 'Good' leaver[1]<br>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.<br>The determination of vesting will be made as soon as reasonably practicable following the end of the performance period or such earlier date as the Committee may agree (within 12 months in the event of death).<br>In the event of a change of control, Unite awards may alternatively be exchanged for new equivalent awards in the acquirer where appropriate. |

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

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

The following section provides details of how Unite's remuneration policy was implemented during the financial year ending 31 December 2015

## REMUNERATION COMMITTEE MEMBERSHIP IN 2015

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 2015, the Remuneration Committee comprised five independent Non-Executive Directors.

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

Certain executives, including Mark Allan (Chief Executive) and Ruth George (Operations HR Director) are, from time to time, invited to attend meetings of the Committee, and the Company Secretary, Christopher Szpojnarowicz, acts as secretary to the Committee. No individuals are involved in decisions relating to their own remuneration. The Remuneration Committee met four times during the year and details of members' attendance at meetings are provided in the Corporate Governance section on page 58.

Key activities of the Remuneration Committee in 2015 were as follows:

- Considered remuneration market trends and corporate governance developments
- Reviewed and approved the Executive Directors' performance against 2015 annual objectives and 2013 LTIP targets; determined bonuses payable and approved LTIP vesting, taking into account appropriate adjustments to performance outcomes resulting from recent placings
- Conducted a detailed review of Executive Director remuneration taking into account Group and individual performance, long-term strategy and benchmarking against comparable companies
- Consulted with major shareholders on proposed changes to the Remuneration Policy for 2016
- Reviewed and approved salary increases for the Executive Directors and senior management for 2016
- Determined the Executive Directors' bonus and LTIP performance targets for 2016 in line with the Company's strategic plan and proposed changes to Remuneration Policy
- Reviewed and approved the Chairman's fee
- Prepared the Directors' Remuneration Report

## ADVISERS

Kepler Associates, a brand of Mercer ('Kepler'), were reappointed as the Committee's independent adviser following a competitive tender process in 2014, and were retained during the year. The Committee undertakes due diligence periodically to ensure that Kepler remains independent and that the advice provided is impartial and objective. Kepler is a founding member and signatory of the Code of Conduct for Remuneration Consultants, details of which can be found at www.remunerationconsultantsgroup.com. In 2015, Kepler provided independent advice on revisions to Unite's remuneration policy; updates on the external remuneration environment; salary and total remuneration benchmarking data; performance testing for long term incentive plans; and support during the shareholder consultation process. Kepler reports directly to the chairman of the Remuneration Committee and does not advise the Company on any other issues. Kepler's total fees for the provision of remuneration services to the Committee in 2015 were £65,695 on the basis of time and materials.

## SUMMARY OF SHAREHOLDER VOTING AT THE 2015 AGM

The following table shows the results of the advisory vote on the 2014 Annual Report on Remuneration at the 2015 AGM:

| | Annual Report on Remuneration | |
|---|---|---|
| For (including discretionary) | 187,257,465 | 99.77% |
| Against | 431,838 | 0.23% |
| Total votes cast (excluding withheld votes) | 187,689,303 | |
| Votes withheld | 56,238 | |
| Total votes cast (including withheld votes) | 187,745,541 | |

Unite's Directors' Remuneration Policy was last subject to a binding vote at the 2014 AGM, when 99.75% of shareholders voted in favour of the relevant resolution.

## 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 2015 and the prior year:

| | Mark Allan | | Joe Lister | | Richard Simpson | | Richard Smith | |
|---|---|---|---|---|---|---|---|---|
| | 2015 £ | 2014 £ | 2015 £ | 2014 £ | 2015 £ | 2014 £ | 2015 £ | 2014 £ |
| Salary | 432,233 | 421,679 | 273,483 | 266,813 | 246,692 | 240,667 | 246,692 | 240,667 |
| Taxable benefits[1] | 23,319 | 23,536 | 15,266 | 15,167 | 13,894 | 13,000 | 14,064 | 13,940 |
| Pension benefit[2] | 75,964 | 74,109 | 49,147 | 73,902 | 43,355 | 46,668 | 47,336 | 46,668 |
| Annual bonus[3] | 551,180 | 545,170 | 348,742 | 344,950 | 314,579 | 311,150 | 314,579 | 311,150 |
| LTIP[4] | 1,318,532 | 1,922,908 | 840,373 | 1,225,249 | 759,599 | 926,648 | 759,599 | 926,648 |
| Other[5] | 0 | 0 | 2,249 | 0 | 0 | 4,500 | 4,499 | 0 |
| Total | 2,401,228 | 2,987,402 | 1,529,260 | 1,926,081 | 1,378,118 | 1,542,633 | 1,386,769 | 1,539,073 |

1 Taxable benefits for 2015 consist primarily of company car or car allowance and private health care insurance. The figures above include car benefits of £22,220, £14,000, £13,000 and £13,000 for Messrs. Allan, Lister, Simpson and Smith respectively.

2 Pension figures include contributions to The UNITE Group personal pension scheme and cash allowances, where applicable.

3 Payment for performance during the year. Having already reached their share ownership guidelines, each Executive Director received 100% of their 2015 bonus award in cash. See following sections for further details.

4 LTIP awards granted in 2012, and which vested based on performance to 31 December 2014, are valued using the market prices at the date of vesting (10 April 2015) of 600.0p. These amounts have been revised from last year's report to reflect the actual share prices on the dates of vesting. For the 2013 awards, the market price on the date of vesting is currently unknown and so the value shown is estimated using the average market value over the last quarter of 2015 of 645.8p. See following sections for further details. LTIP figures for 2014 and 2015 also include cash payments in lieu of dividends for vested awards (previously included under 'Other').

5 'Other' includes the embedded value of SAYE options at grant.

## SINGLE TOTAL FIGURE OF REMUNERATION FOR NON-EXECUTIVE DIRECTORS (AUDITED)

The table below sets out a single figure for the total remuneration received by each Non-Executive Director for the year ended 31 December 2015 and the prior year:

| | Base fee | | Committee Chair fees | | Senior Independent Director fee | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2015 £ | 2014 £ | 2015 £ | 2014 £ | 2015 £ | 2014 £ | 2015 £ | 2014 £ |
| P M White | 127,100 | 124,000 | – | – | – | – | 127,100 | 124,000 |
| R J T Wilson | 44,100 | 43,000 | 6,475 | 10,329[2] | – | – | 50,175 | 53,329 |
| M Wolstenholme | 44,100 | 43,000 | 9,150 | 8,925 | 5,125 | 5,000 | 58,375 | 56,925 |
| A Jones | 44,100 | 43,000 | – | – | – | – | 44,100 | 43,000 |
| E McMeikan[1] | 44,100 | 39,417 | 9,150 | 5,673[2] | – | – | 53,250 | 45,090 |

1 Elizabeth McMeikan joined the Board on 1 February 2014.

2 Elizabeth McMeikan and Sir Tim Wilson were appointed as Chairs of the Remuneration Committee and the Health and Safety Committee respectively, effective May 2014, following the retirement of Richard Walker.

## INCENTIVE OUTCOMES FOR THE YEAR ENDED 31 DECEMBER 2015 (AUDITED)

### Performance related annual bonus in respect of 2015 performance

The 2015 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 2015 reflect corporate bonuses of 105.83% of base salary. After applying individual multipliers, actual performance related bonus payments awarded to the Executive Directors were 127.0% of their respective base salaries (88.2% of their maximum bonus opportunities). Further details, including the targets set and performance against each of the metrics, are provided in the tables below:

### Corporate element outcomes

| | | | Original performance targets | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Measure | Weight | 'Threshold' 50% of salary | 'Target' 70% of salary | 100% of salary | 'Stretch' 120% of salary | Actual | Vest (% salary) |
| Financial | Adjusted EPS | 25.0% | 19.8p | 20.5p | 21.6p | 22.3p | 23.1p | 30% |
| | TR per share | 25.0% | 52.1p | 56.5p | 63.1p | 67.5p | 160p | 30% |
| | Net debt to EBITDA ratio | 25.0% | 7.7x | 7.4x | 7.0x | 6.7x | 7.5x | 15.83% |
| Non-financial | Customer satisfaction | 25.0% | 76 | 78 | 81 | 83 | 83 | 30% |
| Total corporate vesting (% of salary) | | | | | | | | 105.83% |

### Individual element outcomes

| Executive | Achievements during the year included: | Personal multiplier |
|---|---|---|
| M C Allan | • All Group KPI targets met or exceeded<br>• Oversaw successful fund raising activity to ensure the Group maintained capacity and flexibility to deliver its strategic growth targets<br>• Continued to oversee the successful personal development of the other three Executive Directors<br>• Oversaw successful evolution and adaptation of Group strategy in response to anticipated changes in the competitive environment | 1.2x |
| J J Lister | • Successful delivery of all finance related KPIs and our capital operating guidelines<br>• Development and execution of a debt financing and hedging strategy allowing the Group to take advantage of low interest rates while retaining appropriate balance sheet strength and flexibility<br>• Successful planning and preparation of proposed REIT conversion plan<br>• Well executed fundraising activity both on balance sheet and in USAF, allowing the Group sufficient financial capacity to achieve its growth aspirations | 1.2x |
| R C Simpson | • All Property related KPIs met or exceeded for the year<br>• Oversaw successful, high quality growth of secured development pipeline in an increasingly competitive market<br>• Successful USAF fund raising and subsequent accretive portfolio acquisition by the fund<br>• Oversaw product development and design innovation activities, allowing the Group to maintain attractive returns on new development | 1.2x |
| R S Smith | • All Operations related KPIs met or exceeded<br>• Oversaw continued delivery of the Group's Home for Success strategy, resulting in consistent improvements to service delivery<br>• Oversaw further development of strategic University relationships, underpinning increase in quality and volume of University partnership agreements<br>• Oversaw development and launch of new leadership development programme enhancing the Group's talent development capability | 1.2x |

### Overall bonus outcomes

| | | | Overall bonus outcome | | |
|---|---|---|---|---|---|
| Executive | Corporate vesting | Personal multiplier | (% of salary) | (% of maximum) | £ |
| M C Allan | 105.83% | 1.2x | 127.0% | 88.2% | 551,180 |
| J J Lister | | 1.2x | 127.0% | 88.2% | 348,742 |
| R C Simpson | | 1.2x | 127.0% | 88.2% | 314,579 |
| R S Smith | | 1.2x | 127.0% | 88.2% | 314,579 |

During the year, Unite raised £115 million through a share placing. The Remuneration Committee evaluated the potential impact on the outcomes of the performance related annual bonus in respect of 2015 performance and concluded that each measure was neutral to the capital raise and that no adjustment was therefore required.

Noting that this is the third successive year in which each Executive Director has been awarded the maximum individual rating, the Committee took time to carefully consider the performance of Messrs. Allan, Lister, Simpson and Smith against both their individual objectives and with regard to their contributions to the success of the business as a whole over the last few years. In summary, the Committee is satisfied that each of the Executive Directors has been a significant contributor to the achievement of key business and divisional/functional objectives, whilst continuing to demonstrate both strong personal progression and exceptional teamwork, and that therefore the performance ratings are merited.

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

## 2013 LTIP VESTING (VESTED ON PERFORMANCE TO 31 DECEMBER 2015)

Awards in 2013 were made under the New LTIP, consisting of the Unite Group plc performance share plan (PSP) and the Unite Group plc approved employee share option scheme. Vesting of the awards was dependent on three equally-weighted measures over a three-year performance period; NAV per share growth, Net Portfolio Contribution (NPC) and TSR outperformance of the FTSE 350 Real Estate (Super Sector) Index. There was no retest provision. Further details, including vesting schedules and performance against each of the metrics are provided in the table below:

| Measure | Weighting | Targets | Outcome | Vest % |
|---|---|---|---|---|
| Net Asset Value (NAV) per share | 1/3 | 0% vesting below 6% p.a. (417 pence)<br>25% vesting for 6% p.a. (417 pence)<br>100% vesting for 12% p.a. (492 pence) or more;<br>Straight line vesting between these points | 579 pence | 100% |
| Net Portfolio Contribution (NPC) in 2014 | 1/3 | 0% vesting below £28.0m<br>25% vesting for £28.0m<br>100% vesting for £34.0m or more;<br>Straight line vesting between these points | £40.8m[1] | 100% |
| TSR outperformance of the FTSE 350 Real Estate (Super Sector) Index | 1/3 | 0% vesting if Group underperforms the Index<br>25% vesting for matching the Index<br>100% vesting for outperforming Index by 9% p.a.;<br>Straight line vesting between these points | Index +13.3% p.a. (150% return) | 100% |
| Total LTIP vesting (sum product of weighting and vest %) | | | | 100% |

1 After adjustment for placings over the performance period, see details below.

The performance period for the each of the elements ended on 31 December 2015. Two-thirds of awards will vest on the third anniversary of the date of grant, with the remaining one-third vesting after an additional holding period of one year.

| Executive Director | Interests held | Vesting % | Interests vesting | Date vesting | Assumed market price | Estimated value |
|---|---|---|---|---|---|---|
| M C Allan | 196,814 | 100% | 196,814 | 10 April 2016 (2/3)<br>10 April 2017 (1/3) | 645.8p | £1,271,080 |
| J J Lister | 125,482 | | 125,482 | | | £810,398 |
| R C Simpson | 113,432 | | 113,432 | | | £732,576 |
| R S Smith | 113,432 | | 113,432 | | | £732,576 |

In light of share placings in each of the last two years, the Committee evaluated the potential impact on the outcomes of the LTIP in respect of 2015 performance and adjusted downwards the actual outcome for NPC by £5.6m. No adjustments were made to NAV per share which is already neutral to the capital raise, or to TSR which is not directly impacted by the placing.

In line with regulations, the value disclosed above and in the single total figure of remuneration table on page 81 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 2015 of 645.8p. The actual value at vesting will be started in the 2016 Annual Report on Remuneration. Executives also became entitled to cash in lieu of the dividends payable on vested LTIP shares over the three-year performance period. These payments are included in the row entitled (LTIP) in the single total figure of remuneration table on page 81, and amounted to £47,452, £29,975, £27,023 and £27,023 for Messrs. Allan, Lister, Simpson and 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 2014 and 2015. The analysis excludes part-time employees and is based on a consistent set of employees, i.e. the same individuals appear in the 2014 and 2015 populations.

| | CEO | | | All employees |
|---|---|---|---|---|
| | 2015 £ | 2014 £ | % change 2014 – 15 | % change 2014 – 15 |
| Base salary | **433,233** | 421,679 | 2.5% | 2.5% |
| Taxable benefits | **23,319** | 23,536 | (0.9)% | (0.3)% |
| Annual bonus | **551,180** | 545,170 | 1.1% | 108% |

The increase in all-employee annual bonuses between 2014 and 2015 reflects the payment of a tenure-based bonus of between 2.5% and 10% of salary to all non-Board employees during the year.

## 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 2014 and 31 December 2015, along with the percentage change in both.

| | 2015 £m | 2014 £m | % change 2014 – 15 |
|---|---|---|---|
| Total employee pay expenditure | **43.7** | 36.6 | 19% |
| Distributions to shareholders | **33.2** | 24.3 | 37% |

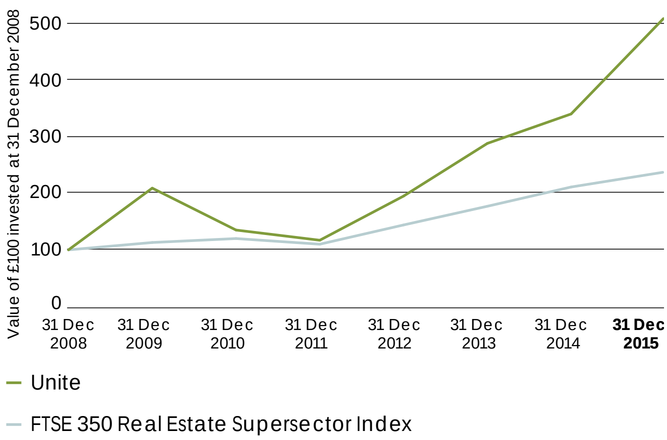
The Directors are proposing a final dividend in respect of the financial year ended 31 December 2015 of 9.5 pence per ordinary share. Employee remuneration excludes social security costs.

## REVIEW OF PAST PERFORMANCE

The following graph charts the TSR of the Company and the FTSE 350 Real Estate 'Super Sector' Index over the seven year period from 1 January 2009 to 31 December 2015. Whilst there is no comparator index or group of companies that truly reflects the activities of the Group, the FTSE 350 Real Estate 'Super Sector' Index (the constituent members of which are all property holding and/or development companies or real estate investment trusts within the UK), was chosen as it reflects trends within the UK property market generally and tends to be the index against which analysts judge the performance of the Company. The table below details the Chief Executive's 'single figure' remuneration over the same period.

## HISTORICAL TSR PERFORMANCE

**Growth in the value of a hypothetical £100 holding over the 7 years to 31 December 2015**




| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|---|
| CEO single figure of remuneration (£000) | £665,313 | £687,175 | £1,475,577 | £993,754 | £1,943,734 | £2,987,402 | **£2,401,228** |
| Short-term incentive award rates against maximum opportunity | 42.0% | 43.4% | 75.8% | 63.4% | 84.0% | 89.4% | **88.2%** |
| Long-term incentive award rates against maximum opportunity | 0.0% | 0.0% | 82.4% | 26.3% | 83.1% | 95.2% | **100%** |

## SCHEME INTERESTS AWARDED IN 2015 (AUDITED)

### LTIP

In April 2015, Executive Directors were granted awards under the LTIP with a maximum face value of c.150% of their respective 2015 salaries. The three year performance period over which performance will be measured began on 1 January 2015 and will end on 31 December 2017. Two-thirds of each Executive's award is eligible to vest on the third anniversary of the date of grant (i.e. 2 April 2018), 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 | 2 April 2015 | 113,071 | 583.5p | £659,769 |
| J J Lister | | 72,094 | | £420,668 |
| R C Simpson | | 65,179 | | £380,319 |
| R S Smith | | 65,179 | | £380,319 |

[1] Combination of HMRC approved options under the ESOS (1,713) and nil cost options under the PSP calculated using a share price of 583.5p, being the closing mid-market price on the day the awards were calculated

Vesting of 2015 awards is dependent on three equally-weighted measures over a three-year performance period; total return per share, earnings per share and TSR outperformance of the FTSE 350 Real Estate 'Super Sector' Index. There is no retest provision. The Committee considers that the targets applying under each of the performance measures are no less stretching than in previous years. Details of the vesting schedules are provided below:

| Measure | Weighting | Targets |
|---|---|---|
| 2017 Adjusted EPS | 1/3 | 0% vesting below 23.7 pence;<br>25% vesting for 23.7 pence;<br>100% vesting for 31.5 pence or more;<br>Straight line vesting between these points. |
| TR per share pa (2015–2017) | 1/3 | 0% vesting below 9% p.a.;<br>25% vesting for 9% p.a.;<br>100% vesting for 15% p.a. or more;<br>Straight line vesting between these points. |
| TSR outperformance of the FTSE350 Real Estate (Super Sector) Index (2015–2017) | 1/3 | 0% vesting if Group underperforms the Index;<br>25% vesting for matching the Index;<br>100% vesting for outperforming Index by 9% p.a.;<br>Straight line vesting between these points. |

## SAYE

During the year under review, the following SAYE awards were granted to the Executive Directors:

| Executive Director | SAYE term | Options granted | Option price per share | Maturity date |
|---|---|---|---|---|
| JJ Lister | 3 years | 1,705 | 527.6p | 01.12.18 |
| R C Simpson | | 3,411 | | |

## EXIT PAYMENTS MADE IN THE YEAR (AUDITED)

No exit payments were made in the year.

## PAYMENTS TO PAST DIRECTORS (AUDITED)

John Tonkiss received in 2015 the balance one-third of options under the 2011 LTIP (which vested on 22 June 2015) and as detailed in the 2013 Annual Report on Remuneration.

## IMPLEMENTATION OF EXECUTIVE DIRECTOR REMUNERATION POLICY FOR 2016

The Committee undertook a full review of Unite Executive Director remuneration towards the end of 2015. Although it was concluded that the overall structure of remuneration remains appropriate, the Committee considers that the attractiveness of the overall package has fallen below market rates versus comparable companies. Taking into account the Group's sustained exceptional performance, the increase in scale of Unite's operations in recent years and strong competition for talent from new market entrants, the Committee is proposing to make a number of adjustments to executive remuneration for 2016 and is therefore seeking shareholder support for the revised remuneration policy set out earlier in this report. Details of how the Committee intends to operate the new policy in 2016 are included below:

### Base salary

The Committee has approved the following salary increases with effect from 1 March 2016:

| Executive Director | Base salary from 1 March 2015 to 28 February 2016 | Base salary from 1 March 2016 to 28 February 2017 | Percentage increase |
|---|---|---|---|
| M C Allan | £434,000 | £460,000 | 6% |
| J J Lister | £274,600 | £291,000 | 6% |
| R C Simpson | £247,700 | £270,000 | 9% |
| R S Smith | £247,700 | £270,000 | 9% |

A salary increase averaging 2.0% across the Group was awarded at the annual pay review.

It is proposed that the salaries of Messrs. Simpson and Smith will be increased by up to an additional c.9% effective 1 March 2017 subject to continued strong performance. This staged approach to salary increases is designed to help ensure there is no reward for failure, and allows the Committee to assess performance again before finalising the second increase next year. Although the Committee has not set a specific threshold for approving the second year increases, we will be looking for evidence that Unite's performance has maintained its current trajectory and that each of the two managing directors has contributed to the further success of the Group. Further details will be included in this section of next year's report.

### Pension

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

### Performance related annual bonus

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

The performance related annual bonus for the 2016 financial year will operate on broadly the same basis as in 2015. 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 2016, 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 2016 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 2016 Directors' Remuneration Report.

Annual bonuses will continue to be paid in cash, unless the recipient has not met their shareholding guidelines, in which case up to 50% of the amount payable will be satisfied by an allocation of shares in the Company deferred for three years. Clawback provisions will apply, in addition to the current malus provisions, to annual bonuses from 2016 onwards.

### LTIP

For 2016, the LTIP will continue to operate broadly on the same basis as in the 2015 financial year. Subject to shareholder support for the new remuneration policy, it is intended that Executive Directors will each receive an award equivalent to a maximum of 200% of salary delivered through a combination of the PSP and ESOS, with the final level of vesting dependent on the achievement of three-year performance targets relating to EPS, TR and TSR, as follows:

| Measure | Weighting | Targets |
|---|---|---|
| 2018 adjusted earnings per share (EPS) | 1/3 | 0% vesting below 30.0 pence<br>25% vesting for 30.0 pence<br>100% vesting for 38.0 pence or more;<br>Straight line vesting between these points |
| Total return (TR) per share p.a. (2016–2018) | 1/3 | 0% vesting below 9% p.a.<br>25% vesting for 9% p.a.<br>100% vesting for 15% p.a. or more;<br>Straight line vesting between these points |
| TSR outperformance of the FTSE 350 Real Estate Supersector Index (2016–2018) | 1/3 | 0% vesting if Group underperforms the Index<br>25% vesting for matching the Index<br>100% vesting for outperforming Index by 9% p.a.;<br>Straight line vesting between these points |

Targets have been set with reference to internal and external reference points, including our strategic plan and broker consensus estimates, and are designed to be stretching but achievable for participants. Full vesting under each element will require continued exceptional performance over the next 3 years.

Any awards vesting for performance will be subject to an additional two-year holding period, during which time clawback provisions will also apply. Further details of the grant date and number of interests awarded will be disclosed in the 2016 Annual Report on Remuneration.

## IMPLEMENTATION OF NON-EXECUTIVE DIRECTOR REMUNERATION POLICY FOR 2016

### Chairman and Non-Executive Director Fees

During the final quarter of 2015, the Board undertook its annual review of Non-Executive Director fees. Following consideration of salary increases across the Group and indicative fee increases at sector and FTSE comparators, the Board determined that the basic fee should be increased from £44,100 p.a. to £45,000 p.a. and that additional fees should be increased by a similar rate. The Committee, in considering similar factors, determined that the fee payable to the Chairman of the Board should be increased from £127,100 p.a. to £129,650 p.a. Each of these fee increases are, at 2%, in line with increases for employees across the Group.

A summary of the fee increases, which are effective 1 January 2016, is set out in the table below.

| Position | 2014 fees | 2015 fees | 2016 fees |
|---|---|---|---|
| **Base fees** | | | |
| Chairman | £124,000 | £127,100 | **£129,650** |
| Non-Executive Director | £43,000 | £44,100 | **£45,000** |
| **Additional fees** | | | |
| Senior Independent Director | £5,000 | £5,125 | **£5,250** |
| Audit Committee Chair | £8,925 | £9,150 | **£9,350** |
| Remuneration Committee Chair | £8,925 | £9,150 | **£9,350** |
| Nomination Committee Chair[1] | £6,300 | n/a | **n/a** |
| Health & Safety Committee Chair | £6,300 | £6,475 | **£6,600** |

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

## 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 2015 is set out below.

| | Ordinary shares of 25p each at 31 December 2015 | Ordinary shares of 25p each at 31 December 2014 |
|---|---|---|
| M C Allan | **455,534** | 497,532 |
| J J Lister | **430,981** | 336,025 |
| R C Simpson | **75,625** | 117,278 |
| R S Smith | **81,313** | 44,775 |
| P M White | **10,952** | 10,952 |
| R J T Wilson | **6,275** | 6,275 |
| M Wolstenholme | **7,995** | 7,995 |
| A Jones | **15,000** | 15,000 |
| E McMeikan | **5,000** | 5,000 |

None of the Directors has a beneficial interest in the shares of any other Group company. Since 31 December 2015, there have been no changes in the Directors' interests in shares.

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

## SHARE PRICE INFORMATION

As at 31 December 2015, the middle market price for ordinary shares in the Company was 656.0p per share. During the course of the year, the market price of the Company's shares ranged from 470.1p to 702.5p per ordinary share.

## EXECUTIVE DIRECTORS' SHAREHOLDING REQUIREMENTS (AUDITED)

The table below shows the shareholding of each Executive Director against their respective shareholding requirement as at 31 December 2015:

| | Shares | | | | | |
|---|---|---|---|---|---|---|
| | Owned outright | Subject to deferral/holding period[1] | Unvested and subject to performance conditions | Shareholding requirement % salary/fee | Current shareholding % salary/fee[2] | Requirement met? |
| M C Allan | 455,534 | 301,539 | 263,245 | 200% | 930% | Yes |
| J J Lister | 430,981 | 192,224 | 167,847 | 150% | 1273% | Yes |
| R C Simpson | 75,625 | 226,984 | 151,745 | 150% | 519% | Yes |
| R S Smith | 81,313 | 259,724 | 151,745 | 150% | 580% | Yes |
| P M White | 10,952 | | | | 58% | |
| R J T Wilson | 6,275 | | | | 96% | |
| M Wolstenholme | 7,995 | | | | 122% | |
| A Jones | 15,000 | | | | 229% | |
| E McMeikan | 5,000 | | | | 76% | |

1 Includes awards vested under the 2013 LTIP, shares subject to a holding period under the 2012 LTIP and deferred bonus shares, where applicable.

2 Based on share price as at 31 December 2015 of 656.0p. Shares subject to deferral/holding periods are taken on a 'net of tax' basis for the purposes of the current shareholding calculation.

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

### Deferred bonus

| Executive | Interests held at 01.01.15 | Granted during the year | Market price per share at grant | Interests vested during the year | Interests lapsed during the year | Interests held at 31.12.15 | Deferral period |
|---|---|---|---|---|---|---|---|
| R C Simpson | 28,544 | | 201.1p | 28,544 | – | – | 02.03.12 – 01.03.15 |
| | 30,790 | | 310.0p | – | – | 30,790 | 07.03.13 – 06.03.16 |
| | 32,777 | | 442.0p | – | – | 32,777 | 07.03.14 – 06.03.17 |
| R S Smith | 33,869 | | 310.0p | – | – | 33,869 | 07.03.13 – 06.03.16 |
| | 32,777 | | 442.0p | – | – | 32,777 | 07.03.14 – 06.03.17 |
| | | 29,161 | 533.5p | – | – | 29,161 | 24.02.15 – 23.02.18 |

## LTIP awards

| Executive | Interests held at 01.01.15 | Interests awarded during the year (ordinary shares in the Company of 25p each) | Market price per share when awarded | Interests vested during the year | Interests lapsed during the year | Interests held at 31.12.15 (ordinary shares in the Company of 25p each) | Period of qualifying conditions |
|---|---|---|---|---|---|---|---|
| M C Allan | 329,947 | | 185.5p | 314,175 | 15,772 | – | 10.04.12 – 10.04.15 |
| | 196,814 | | 319.0p | – | – | 196,814 | 10.04.13 – 10.04.16 |
| | 150,174 | | 428.6p | – | – | 150,174 | 10.04.14 – 10.04.17 |
| | | 113,071 | 583.5p | – | – | 113,071 | 02.04.15 – 02.04.18 |
| J J Lister | 210,276 | | 185.5p | 200,225 | 10,051 | – | 10.04.12 – 10.04.15 |
| | 125,482 | | 319.0p | – | – | 125,482 | 10.04.13 – 10.04.16 |
| | 95,753 | | 428.6p | – | – | 95,753 | 10.04.14 – 10.04.17 |
| | | 72,094 | 583.5p | – | – | 72,094 | 02.04.15 – 02.04.18 |
| R C Simpson | 159,057 | | 185.5p | 151,454 | 7,603 | – | 10.04.12 – 10.04.15 |
| | 113,432 | | 319.0p | – | – | 113,432 | 10.04.13 – 10.04.16 |
| | 86,566 | | 428.6p | – | – | 86,566 | 10.04.14 – 10.04.17 |
| | | 65,179 | 583.5p | – | – | 65,179 | 02.04.15 – 02.04.18 |
| R S Smith | 159,057 | | 185.5p | 151,454 | 7,603 | – | 10.04.12 – 10.04.15 |
| | 113,432 | | 319.0p | – | – | 113,432 | 10.04.13 – 10.04.16 |
| | 86,566 | | 428.6p | – | – | 86,566 | 10.04.14 – 10.04.17 |
| | | 65,179 | 583.5p | – | – | 65,179 | 02.04.15 – 02.04.18 |

## SAYE

| Executive | Options held at 01.01.15 | Granted during the year | Exercised during the year | Option price per share | Options held at 31.12.15 | Maturity date |
|---|---|---|---|---|---|---|
| J J Lister | 7,299 | – | – | 205.5p | 7,299 | 01.12.17 |
| | – | 1,705 | – | 527.6p | 1,705 | 01.12.18 |
| R C Simpson | 5,216 | – | – | 345.1p | 5,216 | 01.12.17 |
| R S Smith | – | 3,411 | – | 527.6p | 3,411 | 01.12.18 |

The highest, lowest and closing share prices for 2015 are shown on page 89.

Details of the qualifying performance conditions in relation to the above referred to awards made in 2013 and in 2015 (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 2014 awards were set out in the 2014 Directors' Remuneration Report.

Awards made in 2012, 2013, 2014 and 2015 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 | 2015 £ | 2014 £ |
|---|---|---|
| M C Allan | **654,775** | 431,777 |
| J J Lister | **415,856** | 269,445 |
| R C Simpson | **429,956** | 207,918 |
| R S Smith | **470,354** | 209,286 |

As at 23 February 2016 the Company had received notifications from the following companies and institutions of the voting interests of themselves and their clients in 3% or more of the issued ordinary share capital of the Company.

| Shareholder | Percentage of share capital |
|---|---|
| 1. BlackRock Inc | 7.74 |
| 2. FMR LLC | 6.73 |
| 3. APG Asset Management NV | 5.75 |
| 4. Old Mutual Plc | 5.32 |
| 5. Aberdeen Asset Management Group | 4.61 |
| 6. Principal Financial Group | 4.20 |
| 7. Franklin Resources Inc | 3.92 |
| 8. Royal London Asset Management | 3.18 |
| 9. Wellington Management Company | 3.09 |
| 10. Legal & General Investment Management Ltd (UK) | 2.96 |

## SHARE CAPITAL

At the date of this report, there are 221,940,849 ordinary shares of 25p each in issue, all of which are fully paid-up and quoted on the London Stock Exchange.

During the year and through to the date of this report, a total of 53,995 ordinary shares of 25p each were allotted and issued pursuant to the exercise of options under The UNITE Group plc savings related share option scheme and a total of 207,725 ordinary shares of 25p each were allotted and issued pursuant to the exercise of options under the approved scheme.

The rights attaching to the Company's ordinary shares, as well as the powers of the Company's Directors, are set out in the Company's articles of association.

There are no restrictions on the transfer or voting rights of ordinary shares in the capital of the Company (other than those which may be imposed by law from time to time or as set out in the Company's articles of association).

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 occur because of a takeover bid.

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

The Directors have no authority to buy-back the Company's shares.

Details of proposals to be put to the annual general meeting in relation to the powers of Directors to allot shares in the Company are set out under the heading 'Annual General Meeting'.

## GOING CONCERN AND VIABILITY STATEMENT

The going concern statement and viability statement is set out on pages 62 and 30 respectively and is incorporated into this Directors' Report by reference.

## DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who held office at the date of approval of the Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

## DIRECTORS' CONFLICTS OF INTEREST

The Company has procedures in place for managing conflicts of interest. A Director is to notify the Chairman (and the Chairman notify 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 31 December 2015.

## OTHER INFORMATION INCORPORATED BY REFERENCE

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

| | |
|---|---|
| Results and dividend | Page 1 |
| Post balance sheet events | Page 102 |
| Greenhouse gas emissions | Page 45 |
| Financial instruments and financial risk management | Page 34 |
| Employment relations and equal opportunities | Page 48 |
| Employment of disabled persons/Employee involvement | Page 48 |

The Corporate Governance statement on pages 50 to 89 and the statement of directors' responsibilities on page 93 are incorporated into this Directors' report by reference.

## MANAGEMENT REPORT

This Directors' report together with the strategic report and other sections from the annual report form the Management Report for the purposes of DTR 4.1.8 R.

## ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at The Core, 40 St Thomas Street, Bristol BS1 6JX at 9.30 am on 12 May 2016. Formal notice of the meeting is given on pages 154 to 159.

In addition to the ordinary business of the meeting, Resolution 2 will be proposed as an ordinary resolution to approve a new Directors' remuneration policy as set out on pages 72 to 79 (inclusive). The rationale for this is explained in the annual statement of the Chair of the Remuneration Committee on pages 70 to 71. Related to this, Resolutions 17 and 18 propose ordinary resolutions to amend the rules of the Unite Group plc 2011 performance share plan (the 'PSP') and the Unite Group plc 2011 approved employee share option scheme (the 'ESOS'), each of which was approved by shareholders at the Annual General Meeting on 19 May 2011. As explained in the letter from the Chair of the Remuneration Committee on pages 70 to 71, the Remuneration Committee has, during 2015, consulted with shareholders on changes to the Company's remuneration policy. Consequently, in addition to seeking an extension to the term of the PSP and the ESOS for an additional period of ten years from the date of the AGM, the Committee proposes to make the following amendments:

- to increase the individual limit under the PSP to provide for awards in any financial year of up to 200% of annual base salary, or where the Committee determines that there are exceptional circumstances, up to 300% of annual base salary
- to introduce into both the PSP and ESOS the ability to impose a holding period on options and awards during which options may not be exercised or shares be sold following vesting
- to allow the Committee to apply claw-back to an option or award under the PSP and ESOS in the case of a misstatement of financial results, an error in calculating the award's vesting outcome or in the event of the participant's misconduct.

Resolution 14 will be proposed as an ordinary resolution to approve the appointment of Mr Patrick Dempsey as a Director of the Company. From March 2004 until February 2015, Patrick was managing director of Whitbread Hotels & Restaurants. He also sat as an executive director on the Board of Whitbread PLC, a FTSE50 company and the UK's largest hospitality company, between January 2009 and February 2015. During his time with Whitbread, he oversaw the rapid growth of Premier Inn to an estate of approximately 700 hotels and 60,000 rooms. Including his time at Whitbread, he has worked for more than 30 years in the hotel and restaurant business, and has held posts including Chief Executive of Macdonald Hotels, managing director of Forte Hotels UK and Chief Executive of Restaurant Associates, part of Compass Group plc. Patrick was awarded an OBE in the 2012 Queen's Honours list for his services to the hospitality industry. His experience and knowledge of running and growing large service orientated brands will strengthen the expertise of the Board. The Board determined him to be independent on appointment for the purposes of the Corporate Governance Code and has approved the resolution to appoint Patrick as Director of the Company with effect from 1 March 2016. The Board considers his appointment to be in the best interests of the Company and its shareholders as a whole and therefore unanimously recommends his election.

Resolution 19 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 £18,495,071 (representing approximately one-third of the issued share capital of the Company as at the date of this report). In accordance with guidelines issued by the Investment Association, this resolution also grants the Directors authority to allot further equity securities up to an aggregate nominal value of £18,495,071, again representing approximately one-third of the nominal value of the issued ordinary share capital of the Company as at the date of this report. This additional authority may only be applied to fully pre-emptive rights issues.

Resolution 20 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 £2,774,261 (representing approximately 5% of the issued share capital of the Company as at the date of this report) for general purposes plus an additional £2,774,261 (representing approximately 5% of the issued share capital of the Company as at the date of this report) in connection with an acquisition or specified capital investment.

This disapplication authority is in line with institutional shareholder guidance, and in particular with the Pre-emption Group's Statement of Principles (the 'Pre-emption Principles'). The Pre-emption Principles were revised in 2015 to allow the authority for an issue of shares for cash otherwise than in connection with a pre-emptive offer to be increased from 5% to 10% of the Company's issued ordinary share capital, provided that the Company confirms that it intends to use the additional 5% authority only in connection with an acquisition or specified capital investment. The Board confirms, in accordance with the Pre-emption Principles, that to the extent that this authority is used for an issue of ordinary shares with a nominal value in excess of £2,774,261 (that is 5% of the Company's issued ordinary share capital as at the date of this report) it intends that it will only be used in connection with an acquisition or specified capital investment which is announced contemporaneously with the issue, or which has taken place in the preceding six-month period and is disclosed in the announcement of the issue.

The Board also confirms, in accordance with the Pre-emption Principles, that it does not intend to issue shares for cash representing more than 7.5% of the Company's issued ordinary share capital in any rolling three-year period other than to existing shareholders, save as permitted in connection with an acquisition or specified capital investment as described above, without prior consultation with shareholders.

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

The Companies (Shareholders' Rights) Regulations 2009 (the Shareholders' Rights Regulations), increased the notice period for general meetings of the Company to 21 days unless shareholders approve a shorter notice period, which cannot be less than 14 clear days. At the Annual General Meeting of the Company held in 2014, shareholders authorised the calling of general meetings, other than an Annual General Meeting, on not less than 14 clear days' notice. Resolution 21 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 21 will be used where, taking into account the circumstances, the Directors consider this appropriate in relation to the business of the meeting and in the interests of the Company and shareholders as a whole. The Company undertakes to meet the requirements for electronic voting under the Shareholders' Rights Regulations before calling a general meeting on 14 clear days' notice. If given, the approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed.

By order of the Board

CHRISTOPHER SZPOJNAROWICZ
**Company Secretary**
23 February 2016

# 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 International Financial Reporting Standards (IFRSs) as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

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

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

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

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

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' report, Directors' remuneration report and Corporate Governance statement that comply with that law and those regulations.

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

Each of the Directors, the names of whom are set out on pages 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 position and performance, business model and strategy
- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and the undertakings included in the consolidation taken as a whole
- The Directors' report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The strategic report was approved by the Board on 23 February 2016.

**M C ALLAN**
**Director**

**J J LISTER**
**Director**

23 February 2016

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

## OPINION ON FINANCIAL STATEMENTS OF THE UNITE GROUP PLC

### Our opinion on the financial statements is unmodified

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2015 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation

The financial statements comprise the Consolidated and Company balance sheets, the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and Company statement of changes in shareholders' equity, the Consolidated and Company statements of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

As required by the Listing Rules we have reviewed the Directors' statement regarding the appropriateness of the going concern basis of accounting contained within the Regulatory disclosures section of the Governance report to the financial statements and the Directors' statement on the longer-term viability of the group contained within the strategic report on page 30.

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

- the Directors' confirmation on page 93 that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 31 – 34 that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement in section 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- the Director's explanation on page 93 as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions

We agreed with the Directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

### Independence

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

### Our assessment of risks of material misstatement

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

The description of risks below should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 62.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## RISK: INVESTMENT AND DEVELOPMENT PROPERTY VALUATION (£1,174.2 MILLION)

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

The valuation of these properties is underpinned by a number of judgements and assumptions, such as property yields, rental growth, occupancy and property management costs. A small change in these assumptions could have a significant impact on the valuation of properties and, with respect to the valuation of the USAF properties, could also have a significant impact on a key input to the calculation of the performance fee recognised for the year ended 31 December 2015 as this is based on the net asset value of the fund.

With regards to the investment properties under development, additional judgement is required to forecast discounted cash flows with a deduction for construction costs to complete.

Refer to Section 3.1: Wholly owned property assets

### How the scope of our audit responded to the risk

Management conduct a detailed exercise in the assessment of the valuation of the Group's property portfolio. We performed testing on the property valuations and critically assessed the judgements and estimates that had been made. This work included:

- Understanding and documenting the underlying business process and then evaluating the design, determining implementation and testing the operating effectiveness of the relevant controls;
- Understanding and challenging the assumptions taken in relation to key drivers such as rental income and growth, occupancy, yields and costs with reference to the trends at the end of the year and the following year's budget and the Group's strategic plan;
- Meeting with the Group's valuers to understand the assumptions being taken and the consistency of the judgements within the prior year;
- Working with our valuation specialists within our Deloitte Real Estate team to validate the assumptions used against market data;
- Assessing the Group's development appraisal process through meeting with the development team and assessing the forecast cost to complete against budget and substantive testing of costs incurred to date; and
- Use of data analytic tools to determine whether there were any anomalies in the valuation spreadsheet data sent to the valuers

## RISK: ACCOUNTING FOR JOINT VENTURES (£610.6 MILLION)

A significant proportion of the Group's assets are held within USAF and LSAV which are jointly owned entities that are accounted for as joint ventures. At 31 December 2015, Unite had a 21% ownership in USAF and 50% ownership in LSAV, and acts as manager of both joint venture vehicles.

Due to the complexity of the contractual arrangements, and the Group's role as manager of the joint venture vehicles, the assessment of control involves judgements around a number of significant factors, particularly with regards to USAF given that it is a multi-investor fund and the Unite ownership stake is subject to change. In accordance with IFRS 10, there is a need to assess control with regards to the ability to direct relevant activities, have exposure to variable returns and the ability to use power to affect returns at each reporting period.

Refer to Section 3.4: Investments in joint ventures

### How the scope of our audit responded to the risk

Our audit procedures on this area focused on assessing the activities of the businesses, understanding the contractual agreements in place and identifying the methodology applied by management in reaching their business decisions in order to consider the appropriateness of the classification of these arrangements as joint ventures in accordance with the requirements of IFRS 10.

With regards to both USAF and LSAV, we have:

- critically assessed the key activities and how they impact the returns to the Group from the funds and challenged management's own consideration of these factors in their application of IFRS 10; and
- assessed the Group's monitoring of its role and the three key factors relating to control and its exercise in accordance with the judgement required under IFRS 10.

Given the particular focus on USAF, we have:

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

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

## RISK: RECOGNITION OF DEFERRED TAX ASSETS (£1.7 MILLION)

The Group has material 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 recognised deferred tax liabilities and the forecast taxable profits which involve significant judgements and assumptions regarding future performance.

The complex structure of the Group also requires consideration as to the ability of the Group to utilise the losses in individual legal entities.

At 31 December 2015, the Group has recognised all corporation tax losses as deferred tax assets. There is an unrecognised deferred tax asset of £1.7 million at 31 December 2015 (2014: £8.9 million).

Refer to Section 2.5: Tax

### How the scope of our audit responded to the risk

Our audit procedures included:

- Testing the consistency of forecasts and projections used to determine the level of deferred tax with other judgements such as valuations and going concern;
- Understanding and challenging the recognition of the losses against deferred tax liabilities arising in the year and each entity's ability to utilise the losses; and
- Working closely with our tax audit specialists to determine whether the key judgements are understood and a consistent approach is applied across the Group

## OUR APPLICATION OF MATERIALITY

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the group to be £9.3 million, which is 0.7% of net assets.

In addition to net assets, we consider the EPRA earnings measure to be a critical financial performance measure for the Group and we have applied a lower threshold of £3.1 million based on 5% of EPRA earnings for testing of revenue, cost of sales, operating expenses, loan interest and similar charges, finance income, share of joint venture profit and taxation.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £186,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

## AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. The Group is audited by one audit team, led by the Senior Statutory Auditor. The audit is performed centrally, as the books and records for each entity within the Group are maintained at head office. We also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information. We audit all of the Group's subsidiaries and joint ventures which are subject to audit at statutory materiality level, which in many cases is substantially lower than Group materiality'.

## OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

## MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

### Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns

We have nothing to report in respect of these matters.

### Directors' remuneration

Under the Companies Act 2006, we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' remuneration report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

### Corporate Governance Statement

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

### Our duty to read other information in the Annual Report

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

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

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

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

JUDITH TACON
**(Senior statutory auditor)**
**for and on behalf of Deloitte LLP**
Chartered Accountants and Statutory Auditor
London
23 February 2016

# FINANCIAL STATEMENTS
## INTRODUCTION AND TABLE OF CONTENTS

**Whilst these financial statements are prepared in accordance with IFRS, the Board of Directors manage the business based on EPRA earnings and EPRA net asset value (NAV) which can be found in section 2. The adjusted results are aligned with the European Public Real Estate Association (EPRA) best practice recommendations.**
**We have grouped the notes to the financial statements under six main headings:**
- **Results for the year, including segmental information, EPRA earnings and EPRA NAV**
- **Asset management**
- **Funding**
- **Working capital**
- **Key management and employee benefits**
- **Company subsidiaries and joint ventures**

**Each section sets out the relevant accounting policies applied in these financial statements together with the key judgements and estimates used.**


**Primary statements**
Consolidated income statement
Consolidated statement of comprehensive income
Consolidated balance sheet
Company balance sheet
Consolidated statement of changes in shareholders' equity
Company statement of changes in shareholders' equity
Statements of cash flows
**Section 1: Basis of preparation**
**Section 2: Results for the year**
2.1 Segmental information
2.2 Earnings
2.3 Net assets
2.4 Revenue and costs
2.5 Tax
2.6 Audit fees
**Section 3: Asset management**
3.1 Wholly owned property assets
3.2 Inventories
3.3 Other non-current assets
3.4 Investments in joint ventures
3.5 Investments in subsidiaries
**Section 4: Funding**
4.1 Borrowings
4.2 Interest rate swaps
4.3 Net financing costs
4.4 Gearing
4.5 Financial risk factors
4.6 Operating leases
4.7 Capital management
4.8 Equity
4.9 Dividends
**Section 5: Working capital**
5.1 Cash
5.2 Trade and other receivables
5.3 Credit risk
5.4 Trade and other payables
5.5 Transactions with other group companies
**Section 6: Key management and employee benefits**
6.1 Staff numbers and costs
6.2 Key management personnel
6.3 Share based compensation
**Section 7: Company subsidiaries and joint ventures**

# CONSOLIDATED INCOME STATEMENT
## FOR THE YEAR ENDED 31 DECEMBER 2015

| | Note | 2015 £m | 2014 £m |
|---|---|---|---|
| Rental income | 2.4 | **93.0** | 89.4 |
| Property sales and other income | 2.4 | **115.8** | 19.1 |
| **Total revenue** | | **208.8** | **108.5** |
| Cost of sales | 2.4 | **(114.9)** | (50.0) |
| Operating expenses | | **(28.5)** | (25.9) |
| Results from operating activities | | **65.4** | 32.6 |
| Loss on disposal of property | | **(0.6)** | (1.0) |
| Net valuation gains on property | 3.1 | **164.8** | 43.3 |
| **Profit before net financing costs** | | **229.6** | **74.9** |
| Loan interest and similar charges | 4.3 | **(22.6)** | (22.2) |
| Mark to market changes in interest rate swaps | 4.3 | **(0.6)** | (1.3) |
| Finance costs | 4.3 | **(23.2)** | (23.5) |
| Finance income | 4.3 | **0.2** | 0.5 |
| **Net financing costs** | 4.3 | **(23.0)** | **(23.0)** |
| Share of joint venture profit | 3.4b | **181.8** | 56.5 |
| **Profit before tax** | | **388.4** | **108.4** |
| Current tax | 2.5 | **(1.6)** | (1.2) |
| Deferred tax | 2.5 | **(31.1)** | (2.4) |
| **Profit for the year** | | **355.7** | **104.8** |
| **Profit for the year attributable to** | | | |
| Owners of the parent company | 2.2c | **351.9** | 102.6 |
| Minority interest | | **3.8** | 2.2 |
| | | **355.7** | **104.8** |
| **Earnings per share** | | | |
| Basic | 2.2c | **164.2p** | 53.1p |
| Diluted | 2.2c | **150.3p** | 52.3p |

All results are derived from continuing activities.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 31 DECEMBER 2015

| | 2015 £m | 2014 £m |
|---|---|---|
| **Profit for the year** | **355.7** | **104.8** |
| Movements in effective hedges | **(1.0)** | (0.1) |
| Gains on hedging instruments transferred to income statement | **0.2** | 1.2 |
| Share of joint venture movements in effective hedges | **0.5** | (1.8) |
| Share of joint venture movement on hedging instruments transferred to income statement | **–** | – |
| Other comprehensive income for the year | **(0.3)** | (0.7) |
| **Total comprehensive income for the year** | **355.4** | **104.1** |
| **Attributable to** | | |
| Owners of the parent company | **351.6** | 101.9 |
| Minority interest | **3.8** | 2.2 |
| | **355.4** | **104.1** |

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 2015

| | Note | 2015 £m | 2014 £m |
|---|---|---|---|
| **Assets** | | | |
| Investment property | 3.1 | **1,024.4** | 850.5 |
| Investment property under development | 3.1 | **149.8** | 49.2 |
| Investment in joint ventures | 3.4b | **610.6** | 383.8 |
| Other non-current assets | 3.3 | **24.5** | 15.3 |
| Deferred tax asset | 2.5c | **1.0** | 2.2 |
| **Total non-current assets** | | **1,810.3** | **1,301.0** |
| Completed property | 3.1 | **–** | 70.1 |
| Inventories | 3.2 | **3.6** | 3.9 |
| Trade and other receivables | 5.2 | **83.0** | 43.4 |
| Cash and cash equivalents | 5.1 | **27.0** | 41.4 |
| **Total current assets** | | **113.6** | **158.8** |
| **Total assets** | | **1,923.9** | **1,459.8** |
| **Liabilities** | | | |
| Borrowings | 4.1 | **(31.3)** | (12.5) |
| Interest rate swaps | 4.2 | **–** | (0.4) |
| Trade and other payables | 5.4 | **(115.5)** | (101.6) |
| Current tax liability | | **(2.3)** | (1.0) |
| **Total current liabilities** | | **(149.1)** | **(115.5)** |
| Borrowings | 4.1 | **(443.8)** | (477.3) |
| Interest rate swaps | 4.2 | **(2.3)** | (1.9) |
| Deferred tax liability | 2.5c | **(31.0)** | (2.8) |
| **Total non-current liabilities** | | **(477.1)** | **(482.0)** |
| **Total liabilities** | | **(626.2)** | **(597.5)** |
| **Net assets** | | **1,297.7** | **862.3** |
| **Equity** | | | |
| Issued share capital | 4.8 | **55.5** | 50.4 |
| Share premium | 4.8 | **493.3** | 385.8 |
| Merger reserve | | **40.2** | 40.2 |
| Retained earnings | | **679.5** | 359.2 |
| Hedging reserve | | **(2.8)** | (2.5) |
| Equity portion of convertible instrument | 4.1 | **9.4** | 9.4 |
| **Equity attributable to the owners of the parent company** | | **1,275.1** | **842.5** |
| Minority interest | | **22.6** | 19.8 |
| **Total equity** | | **1,297.7** | **862.3** |

These financial statements of The Unite Group plc, registered number 3199160 were approved by the Board of Directors on 23 February 2016 and were signed on its behalf by:

M C ALLAN
**Director**

J J LISTER
**Director**

# COMPANY BALANCE SHEET
## AT 31 DECEMBER 2015

| | Note | 2015 £m | 2014 £m |
|---|---|---|---|
| **Assets** | | | |
| Investments in subsidiaries | 3.5 | **648.3** | 412.0 |
| Total investments | | **648.3** | 412.0 |
| Loan to group undertaking | 3.5 | **179.9** | 179.9 |
| **Total non-current assets** | | **828.2** | **591.9** |
| Amounts due from Group undertakings | 5.2 | **639.3** | 494.4 |
| Cash and cash equivalents | 5.1 | **–** | 8.6 |
| **Total current assets** | | **639.3** | **503.0** |
| **Total assets** | | **1,467.5** | **1,094.9** |
| **Current liabilities** | | | |
| Borrowings | 4.1 | **(1.4)** | – |
| Amounts due to Group undertakings | 5.4 | **(58.2)** | (59.6) |
| Other payables | 5.4 | **(2.7)** | (2.5) |
| **Total current liabilities** | | **(62.3)** | **(62.1)** |
| Borrowings | 4.1 | **(173.0)** | (171.2) |
| **Total non-current liabilities** | | **(173.0)** | **(171.2)** |
| **Total liabilities** | | **(235.3)** | **(233.3)** |
| **Net assets** | | **1,232.2** | **861.6** |
| **Equity** | | | |
| Issued share capital | | **55.5** | 50.4 |
| Share premium | | **493.3** | 385.8 |
| Merger reserve | | **40.2** | 40.2 |
| Retained earnings | | **633.8** | 375.8 |
| Equity portion of intercompany loan | | **9.4** | 9.4 |
| **Total equity** | | **1,232.2** | **861.6** |

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

These financial statements of The Unite Group plc, registered number 3199160 were approved by the Board of Directors on 23 February 2016 and were signed on its behalf by:

M C ALLAN
**Director**

J J LISTER
**Director**

FINANCIAL STATEMENTS

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

## FOR THE YEAR ENDED 31 DECEMBER 2015

| | Issued share capital £m | Share premium £m | Merger reserve £m | Retained earnings £m | Hedging reserve £m | Equity portion of convertible instrument £m | Attributable to owners of the parent £m | Minority interest £m | Total £m |
|---|---|---|---|---|---|---|---|---|---|
| **At 1 January 2015** | **50.4** | **385.8** | **40.2** | **359.2** | **(2.5)** | **9.4** | **842.5** | **19.8** | **862.3** |
| Profit for the year | – | – | – | 351.9 | – | – | 351.9 | 3.8 | 355.7 |
| Other comprehensive income for the period | – | – | – | – | (0.3) | – | (0.3) | 0.1 | (0.2) |
| Total comprehensive income for the year | – | – | – | 351.9 | (0.3) | – | 351.6 | 3.9 | 355.5 |
| Shares issued | 5.1 | 107.5 | – | – | – | – | 112.6 | – | 112.6 |
| Fair value of share based payments | – | – | – | 3.7 | – | – | 3.7 | – | 3.7 |
| Own shares acquired | – | – | – | (3.4) | – | – | (3.4) | – | (3.4) |
| Dividends paid to owners of the parent company | – | – | – | (31.9) | – | – | (31.9) | – | (31.9) |
| Dividends to minority interest | – | – | – | – | – | – | – | (1.1) | (1.1) |
| **At 31 December 2015** | **55.5** | **493.3** | **40.2** | **679.5** | **(2.8)** | **9.4** | **1,275.1** | **22.6** | **1,297.7** |

| | Issued share capital £m | Share premium £m | Merger reserve £m | Retained earnings £m | Hedging reserve £m | Equity portion of convertible instrument £m | Attributable to owners of the parent £m | Minority interest £m | Total £m |
|---|---|---|---|---|---|---|---|---|---|
| **At 1 January 2014** | **44.2** | **295.3** | **40.2** | **266.0** | **(1.8)** | **9.4** | **653.3** | **18.7** | **672.0** |
| Profit for the year | – | – | – | 102.6 | – | – | 102.6 | 2.2 | 104.8 |
| Other comprehensive income for the period | – | – | – | – | (0.7) | – | (0.7) | – | (0.7) |
| Total comprehensive income for the year | – | – | – | 102.6 | (0.7) | – | 101.9 | 2.2 | 104.1 |
| Shares issued | 6.2 | 90.5 | – | – | – | – | 96.7 | – | 96.7 |
| Fair value of share based payments | – | – | – | 3.1 | – | – | 3.1 | – | 3.1 |
| Own shares acquired | – | – | – | (1.8) | – | – | (1.8) | – | (1.8) |
| Dividends paid to owners of the parent company | – | – | – | (10.7) | – | – | (10.7) | – | (10.7) |
| Dividends to minority interest | – | – | – | – | – | – | – | (1.1) | (1.1) |
| **At 31 December 2014** | **50.4** | **385.8** | **40.2** | **359.2** | **(2.5)** | **9.4** | **842.5** | **19.8** | **862.3** |

# COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

## FOR THE YEAR ENDED 31 DECEMBER 2015

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

| | Issued share capital £m | Share premium £m | Merger reserve £m | Retained earnings £m | Equity portion of intercompany loan £m | Total £m |
|---|---|---|---|---|---|---|
| **At 1 January 2014** | **44.2** | **295.3** | **40.2** | **271.8** | **9.4** | **660.9** |
| Profit for the year | – | – | – | 114.7 | – | 114.7 |
| Shares issued | 6.2 | 90.5 | – | – | – | 96.7 |
| Dividends to shareholders | – | – | – | (10.7) | – | (10.7) |
| **At 31 December 2014** | **50.4** | **385.8** | **40.2** | **375.8** | **9.4** | **861.6** |

# STATEMENTS OF CASH FLOWS

## FOR THE YEAR ENDED 31 DECEMBER 2015

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | **2015 £m** | 2014 £m | **2015 £m** | 2014 £m |
| **Cash flows from operating activities** | 5.1 | **120.8** | **44.7** | **(2.2)** | **(2.7)** |
| **Cash flows from taxation** | | **(0.3)** | (0.5) | – | – |
| **Investing activities** | | | | | |
| Proceeds from sale of investment property | | **(0.6)** | 62.9 | **–** | – |
| Payments to/on behalf of subsidiaries | | **–** | – | **(194.9)** | (126.9) |
| Payments from subsidiaries | | **–** | – | **54.4** | 26.2 |
| Repayment received of joint venture investment loan | | **–** | 10.7 | **–** | – |
| Loan to joint ventures | | **(30.5)** | (12.8) | **–** | – |
| Dividends received | | **22.9** | 22.2 | **55.7** | 28.1 |
| Interest received | | **0.2** | 0.1 | **–** | 10.6 |
| Investment in joint ventures | | **(52.4)** | (103.3) | **–** | – |
| Acquisition of intangible assets | | **(7.7)** | (5.7) | **–** | – |
| Acquisition of property | | **(96.3)** | (45.9) | **–** | – |
| Acquisition of plant and equipment | | **(4.1)** | (4.8) | **–** | – |
| **Cash flows from investing activities** | | **(168.5)** | **(76.6)** | **(84.8)** | **(62.0)** |
| **Financing activities** | | | | | |
| Total interest paid | | **(21.8)** | (24.8) | **(5.5)** | (10.0) |
| Interest capitalised into property under development included in cash flows from operating activities | | **–** | 4.0 | **–** | – |
| Interest paid in respect of financing activities | | **(21.8)** | (20.8) | **(5.5)** | (10.0) |
| Ineffective swap payments | | **(2.3)** | (4.0) | **–** | – |
| Proceeds from the issue of share capital | | **112.6** | 96.7 | **112.6** | 96.7 |
| Payments to acquire own shares | | **(3.4)** | (1.8) | **–** | – |
| Proceeds from non-current borrowings | | **17.6** | 124.8 | **1.8** | 2.2 |
| Repayment of borrowings | | **(36.1)** | (152.5) | **–** | – |
| Dividends paid to the owners of the parent company | | **(31.9)** | (10.7) | **(31.9)** | (10.7) |
| Dividends paid to minority interest | | **(1.1)** | (1.1) | **–** | – |
| **Cash flows from financing activities** | | **33.6** | **30.6** | **77.0** | **78.2** |
| **Net (decrease)/increase in cash and cash equivalents** | | **(14.4)** | (1.8) | **(10.0)** | 13.5 |
| Cash and cash equivalents at start of year | | **41.4** | 43.2 | **8.6** | (4.9) |
| **Cash and cash equivalents at end of year** | 5.1 | **27.0** | **41.4** | **(1.4)** | **8.6** |

# NOTES TO THE FINANCIAL STATEMENTS

## SECTION 1: BASIS OF PREPARATION

**This section lays out the Group's accounting policies that relate to the financial statements as a whole. Where an accounting policy is specific to a particular note to the financial statements, the policy is described in the note to which it relates and has been clearly identified in a box.**

The financial statements consolidate those of The Unite Group plc, (the Company) and its subsidiaries (together referred to as the Group) and include the Group's interests in jointly controlled entities. The parent company financial statements present information about the Company as a separate entity and not as a group.

Both the parent company financial statements and the Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU (Adopted IFRS). On publishing the parent company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes.

The accounting policies have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements, with the exception of the first time application of the following standards:

- The Annual Improvements 2010-2012 and 2011-2013 Cycles includes amendments to a number of different accounting standards. The majority of the amendments are in the nature of clarifications rather than substantive changes to existing requirements. However, the amendments to IFRS 8 *Operating Segments* - Aggregation of operating segments and IAS 24 *Related Party Disclosures* - Key management personnel represent changes to existing requirements

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

The Company is domiciled in the United Kingdom.

### Going concern

The Group's business activities, together with the factors likely to affect its future development and position are set out in the strategic report on pages 1 to 49. In addition, section 4 of these Notes to the financial statements includes the Group's objectives, policies and processes for managing its capital; details of its borrowings and interest rate swaps; and in note 5.3, its exposure to credit risk.

The Group has prepared cash flow projections three years forward to December 2018 and the Group has sufficient headroom to meet all its commitments. The Group finalised a new facility in November 2015 which will be sufficient to fund the Group's commitments over the next three years. This facility will be of sufficient size to replace the debt facility maturing in the Group in 2016. The Group has historically maintained positive relationships with its lending banks and has always secured new facilities before maturity dates and within its covenant levels. The Group is in full compliance with its covenants at 31 December 2015. Our debt facilities include loan-to-value, interest cover and minimum net worth covenants, all of which have a high level of headroom. In order to manage future financial commitments, the Group operate a formal approval process, through its Major Investment Approvals Committee, to ensure appropriate review is undertaken before any transactions are agreed.

The Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future.

### Measurement convention

The financial statements are prepared on the historical cost basis except for investment property, investment property under development, investments in subsidiaries and interest rate swaps all of which are stated at their fair value.

### Basis of consolidation

Subsidiaries are those entities controlled by the Company. Control exists when the Company has an existing right that gives it the current ability to direct the relevant activities of the subsidiary, has exposure or right to variable returns from its involvement in the subsidiary and has the ability to use its power to affect its returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions, and any unrealised gains and losses arising from intra-group transactions, such as property disposals and management fees are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with joint ventures are eliminated to the extent of the Group's retained interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains except where the loss provides evidence of a reduction in the net realisable value of current assets or an impairment in value of fixed assets.

## SECTION 1: BASIS OF PREPARATION CONTINUED

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

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

- IFRS 9 'Financial Instruments';
- IFRS 15 'Revenue from Contracts with Customers';
- IFRS 16 'Leases';
- IFRS 11 (amendments) 'Accounting for acquisitions of interests in joint operations';
- IAS 1 (amendments) 'Disclosure initiative';
- IAS 16 (amendments) 'Property, Plant and Equipment';
- IAS 38 (amendments) 'Clarification of Acceptable Methods of Depreciation and Amortisation';
- IAS 27 (amendments) 'Equity Method in Separate Financial Statements'
- IFRS 10 and IAS 28 (amendments) 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture';
- IFRS 10, IFRS 12 and IAS 28 (amendments) 'Investment Entities: Applying the Consolidation Exemption'; and
- The Annual Improvements 2012-2014 Cycle includes amendments to: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting

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

### Accounting estimates and judgements

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

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

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

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

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

- valuation of investment property, investment property under development, completed properties and properties under development (note 3.1)
- taxation (note 2.5)

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

- classification of joint venture vehicles (note 3.4)

# SECTION 2: RESULTS FOR THE YEAR

**This section focuses on the results and performance of the Group. On the following pages you will find disclosures explaining the Group's results for the year, segmental information, taxation, earnings and net asset value per share.**
**EPRA earnings and NAV movement are the Group's main key performance indicators.**
**This reflects the way the business is managed and how the Directors assess the performance of the Group.**

## EPRA performance measures

| | Note | **2015 £m** | 2014 £m |
|---|---|---|---|
| EPRA earnings | 2.2a | **61.3m** | 33.3m |
| EPRA earnings per share (pence) | 2.2c | **28.6p** | 17.2p |
| Adjusted EPRA earnings | 2.2a | **49.5m** | 33.3m |
| Adjusted EPRA earnings per share (pence) | 2.2c | **23.1p** | 17.2p |
| EPRA NAV | 2.3a | **1,394.4m** | 881.1m |
| EPRA NAV per share (pence) | 2.3d | **579p** | 434p |
| EPRA NNNAV | 2.3c | **1,330.2m** | 870.7m |
| EPRA NNNAV per share (pence) | 2.3d | **552p** | 429p |

## 2.1 Segmental information

The Board of Directors monitor the business along two activity lines, Operations and Property. The reportable segments for the years ended 31 December 2015 and 31 December 2014 are Operations and Property.

The Group undertakes its Operations and Property activities directly and through joint ventures with third parties. The joint ventures are an integral part of each segment and are included in the information used by the Board to monitor the business.

The Group's properties are located exclusively in the United Kingdom. The Group therefore has one meaningful geographical segment.

## 2.2 Earnings

The Operations segment manages rental properties, owned directly by the Group or by joint ventures. Its revenues are derived from rental income and asset management fees earned from joint ventures. The way in which the Operations segment adds value to the business is set out in the Operations review on pages 37 – 39. The Operations segment is the main contributor to EPRA earnings and EPRA EPS and these are therefore the key indicators which are used by the Board to manage the Operations business.

The Board does not manage or monitor the Operations segment through the balance sheet and therefore no segmental information for assets and liabilities is provided for the Operations segment.

## SECTION 2: RESULTS FOR THE YEAR CONTINUED

### 2.2 Earnings continued

a) EPRA earnings

| 2015 | UNITE | Share of joint ventures | | | | Group on see-through basis |
|---|---|---|---|---|---|---|
| | Total £m | USAF £m | LSAV £m | OCB £m | Total £m | Total £m |
| Rental income | 93.0 | 31.6 | 19.7 | – | 51.3 | 144.3 |
| Property operating expenses | (28.2) | (9.3) | (2.3) | – | (11.6) | (39.8) |
| **Net operating income** | 64.8 | 22.3 | 17.4 | – | 39.7 | 104.5 |
| Management fees | 17.5 | (2.2) | (3.3) | – | (5.5) | 12.0 |
| Operating expenses | (21.3) | (0.3) | (0.3) | – | (0.6) | (21.9) |
| | 61.0 | 19.8 | 13.8 | – | 33.6 | 94.6 |
| Operating lease rentals* | (14.5) | – | – | – | – | (14.5) |
| Net financing costs | (23.6) | (5.6) | (4.4) | – | (10.0) | (33.6) |
| **Operations segment result** | 22.9 | 14.2 | 9.4 | – | 23.6 | 46.5 |
| **Property segment result** | (1.8) | – | – | – | – | (1.8) |
| **Unallocated to segments** | 16.6 | – | – | – | – | 16.6 |
| **EPRA earnings** | 37.7 | 14.2 | 9.4 | – | 23.6 | 61.3 |
| Yield related USAF performance fees | (11.8) | – | – | – | – | (11.8) |
| **Adjusted EPRA earnings** | 25.9 | 14.2 | 9.4 | – | 23.6 | 49.5 |

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

The £16.6 million credit that is unallocated to segments includes the fair value of share based payments of (£2.9 million), UNITE Foundation of (£1.0 million), net USAF performance fee of £20.2 million, fees received from USAF relating to acquisitions of £1.8 million, deferred tax of (£0.1 million) and current tax charges of (£1.4 million).

Full details of the USAF performance fees are set out in the Strategic Review on pages 1 to 49.

* Operating lease rentals arise from properties which the Group has sold and is now leasing back. These properties contribute to the Group's rental income.

## SECTION 2: RESULTS FOR THE YEAR CONTINUED

### 2.2 Earnings continued

a) EPRA earnings continued

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

Included in the above is rental income of £20.3 million and property operating expenses of £6.2 million relating to sale and leaseback properties.

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

* Operating lease rentals arise from properties which the Group has sold and is now leasing back. These properties contribute to the Group's rental income.

## SECTION 2: RESULTS FOR THE YEAR CONTINUED

### 2.2 Earnings continued

b) EPRA earnings IFRS reconciliation

EPRA earnings excludes movements relating to changes in values of investment properties and interest rate swaps, profits from the disposal of properties and property impairments, which are included in the profit reported under IFRS. The EPRA earnings reconcile to the profit reported under IFRS as follows:

| | Note | 2015 £m | 2014 £m |
|---|---|---|---|
| **EPRA earnings** | 2.2a | **61.3** | **33.3** |
| Net valuation gains on investment property | 3.1 | **164.8** | 43.3 |
| Property disposals and write downs | | **6.8** | (3.3) |
| Share of joint venture gains on investment property | 3.4b | **152.7** | 35.7 |
| Share of joint venture property disposals and write downs | | **0.3** | (0.6) |
| Mark to market changes in interest rate swaps* | 4.3 | **(0.6)** | (1.3) |
| Interest rate swap payments on ineffective hedges* | | **1.2** | 1.2 |
| Debt exit costs | | **–** | (1.6) |
| Share of joint venture debt exit costs | 3.4b | **–** | (0.1) |
| Share of joint venture swap cancellation costs | 3.4b | **(0.3)** | – |
| Deferred tax relating to interest rate swap movement | | **(0.2)** | (0.2) |
| Deferred tax relating to properties | | **(30.9)** | (2.7) |
| Minority interest share of reconciling items** | | **(3.2)** | (1.1) |
| **Profit attributable to owners of the parent company** | | **351.9** | **102.6** |

* Within IFRS reported profit, there is a £0.6 million loss (2014: £1.3 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, £1.2 million (2014: £1.2 million) relates to actual interest payments made on these swaps and is considered to be a true operating cost of the Operations segment. It is therefore already included within Net Financing Costs in the Operating segment result in note 2.2a.

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

## SECTION 2: RESULTS FOR THE YEAR CONTINUED

### 2.2 Earnings continued

#### c) Earnings per share

The EPS calculation is based on the earnings attributable to the equity shareholders of The Unite Group plc and the weighted average number of shares which have been in issue during the year. Basic EPS is adjusted in line with EPRA guidelines in order to more accurately show the business performance of the Group in a consistent manner and to reflect how the business is managed and measured on a day to day basis. EPRA EPS and EPRA EPS pre yield related USAF performance fee are calculated using EPRA earnings.

The calculations of basic and EPRA EPS for the year ended 31 December 2015 is as follows:

| | Note | **2015 £m** | 2014 £m |
|---|---|---|---|
| **Earnings** | | | |
| Basic (and diluted) | | **351.9** | 102.6 |
| EPRA | 2.2a | **61.3** | 33.3 |
| EPRA pre yield related USAF performance fee | 2.2a | **49.5** | 33.3 |
| **Weighted average number of shares (thousands)** | | | |
| Basic | | **214,304** | 193,319 |
| Dilutive potential ordinary shares (share options) | | **19,877** | 2,966 |
| Diluted | | **234,181** | 196,285 |
| **Earnings per share (pence)** | | | |
| Basic | | **164.2p** | 53.1p |
| Diluted | | **150.3p** | 52.3p |
| **EPRA EPS** | | **28.6p** | 17.2p |
| **EPRA EPS pre yield related USAF performance fee** | | **23.1p** | 17.2p |

Movements in the weighted average number of shares have resulted from the placing in April 2015 and the issue of shares arising from the employee share based payment schemes.

The placing comprised 20,137,000 shares and gave rise to proceeds of £114.8 million, £112.3 million net of issue costs.

Excluded from the potential dilutive shares (share options), in 2015, are 191,000 (2014: 1,174,000) options which do not affect the diluted weighted average number of shares.

## SECTION 2: RESULTS FOR THE YEAR CONTINUED

### 2.3 Net assets

The Group's Property business undertakes the acquisition and development of properties. The Property segment's revenue comprises revenue from development management fees earned from joint ventures. The way in which the Property segment adds value to the business is set out in Property business on pages 40 – 45. EPRA NAV, reported on the basis recommended for real estate companies by EPRA, is the key indicator used by the Board to manage the Property business.

a) EPRA net assets

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | **Wholly owned £m** | **Share of JVs £m** | **Total £m** | Wholly owned £m | Share of JVs £m | Total £m |
| Investment properties | **1,024.4** | **810.8** | **1,835.2** | 850.5 | 558.4 | 1,408.9 |
| Completed properties* | **–** | **–** | **–** | 101.3 | – | 101.3 |
| Total income producing properties | **1,024.4** | **810.8** | **1,835.2** | 951.8 | 558.4 | 1,510.2 |
| Investment properties under development | **149.8** | **80.2** | **230.0** | 49.2 | 65.1 | 114.3 |
| **Total property portfolio** | **1,174.2** | **891.0** | **2,065.2** | **1,001.0** | **623.5** | **1,624.5** |
| Debt on properties | **(475.1)** | **(304.6)** | **(779.7)** | (489.8) | (270.7) | (760.5) |
| Cash | **27.0** | **22.0** | **49.0** | 41.4 | 21.8 | 63.2 |
| **Net debt** | **(448.1)** | **(282.6)** | **(730.7)** | **(448.4)** | **(248.9)** | **(697.3)** |
| Other assets/(liabilities) | **(4.9)** | **(18.3)** | **(23.2)** | (38.0) | (8.1) | (46.1) |
| **EPRA net assets (pre convertible)** | **721.2** | **590.1** | **1,311.3** | **514.6** | **366.5** | **881.1** |
| Convertible bond** | **83.1** | **–** | **83.1** | – | – | – |
| **EPRA net assets** | **804.3** | **590.1** | **1,394.4** | **514.6** | **366.5** | **881.1** |
| **Loan to value** | **38%** | **32%** | **35%** | **45%** | **40%** | **43%** |

* At market value.

** Under the terms of the Convertible Bond, early conversion of the debt into equity can be triggered if the share price trades over 1.3 times the conversion price for a period of time. This threshold was triggered as at 31 December 2015; the bondholders have the right to exercise until 31 March 2016.

## SECTION 2: RESULTS FOR THE YEAR CONTINUED

### 2.3 Net assets continued

#### b) Movement in EPRA NAV during the year

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

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

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

## SECTION 2: RESULTS FOR THE YEAR CONTINUED

### 2.3 Net assets continued

b) Movement in EPRA NAV during the year continued

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

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

## SECTION 2: RESULTS FOR THE YEAR CONTINUED

### 2.3 Net assets continued

#### c) Reconciliation to IFRS

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

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

| | Note | **2015 £m** | 2014 £m |
|---|---|---|---|
| **Net asset value reported under IFRS** | | **1,275.1** | **842.5** |
| Recognised valuation gain on property held at cost | 3.1 | **–** | 31.2 |
| Mark to market interest rate swaps | | **4.3** | 4.8 |
| Deferred tax | | **31.9** | 2.6 |
| **EPRA NAV (pre convertible)** | 2.3a | **1,311.3** | **881.1** |
| Convertible bond | | **83.1** | – |
| **EPRA NAV** | | **1,394.4** | **881.1** |
| Mark to market of fixed rate debt | | **(28.0)** | (3.0) |
| Mark to market interest rate swaps | | **(4.3)** | (4.8) |
| Deferred tax | | **(31.9)** | (2.6) |
| **EPRA NNNAV** | | **1,330.2** | **870.7** |

#### d) NAV per share

NAV is based on the net assets attributable to the equity shareholders of The Unite Group plc and the number of shares in issue at the end of the year. The Board uses EPRA NAV and EPRA NNNAV to monitor the performance of the Property segment on a day to day basis.

| | Note | **2015 £m** | 2014 £m |
|---|---|---|---|
| **Net assets** | | | |
| Basic | 2.3c | **1,275.1** | 842.5 |
| EPRA | 2.3a | **1,394.4** | 881.1 |
| EPRA diluted | | **1,396.7** | 882.3 |
| EPRA NNNAV (diluted) | | **1,332.5** | 871.9 |
| **Number of shares (thousands)** | | | |
| Basic | | **222,051** | 202,362 |
| Convertible bond | | **18,124** | – |
| Outstanding share options | | **1,027** | 873 |
| Diluted | | **241,202** | 203,235 |
| **Net asset value per share (pence)** | | | |
| Basic | | **574p** | 416p |
| EPRA | | **581p** | 435p |
| **EPRA (diluted)** | | **579p** | **434p** |
| **EPRA NNNAV (diluted)** | | **552p** | **429p** |

## SECTION 2: RESULTS FOR THE YEAR CONTINUED

### 2.4. Revenue and costs

The Group earns revenue from the following activities:

| | | Note | 2015 £m | 2014 £m |
|---|---|---|---|---|
| Rental income | Operations segment | 2.2a | **93.0** | 89.4 |
| Management fees | Operations segment | | **15.2** | 12.0 |
| Development fees | Property segment | | **1.9** | 2.7 |
| Property sales | Unallocated | | **77.0** | 4.6 |
| USAF performance fee | Unallocated | | **22.4** | – |
| | | | **209.5** | 108.7 |
| Impact of minority interest on management fees | | | **(0.7)** | (0.2) |
| **Total revenue** | | | **208.8** | **108.5** |

The cost of sales included in the consolidated income statement includes property operating expenses of £28.9 million (2014: £25.9 million), operating lease rentals of £14.5 million (2014: £14.4 million), costs associated with development fees of £1.9 million (2014: £2.7 million) and the carrying value of property sales of £69.6 million (2014: £7.0 million).

#### Accounting policies

Revenue is recognised on the following bases:

##### Rental income

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

##### Property sales

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

##### Management and performance fees

The Group acts as asset and property manager for the joint ventures and receives management fees in relation to these services. In addition, the Group is entitled to performance fees from USAF and LSAV if the joint ventures outperform certain benchmarks. The Group receives an enhanced equity interest in the JVs as consideration for the performance fee.

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

## SECTION 2: RESULTS FOR THE YEAR CONTINUED

### 2.5 Tax

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

#### Accounting policies

The tax charge for the year is recognised in the income statement and the statement of comprehensive income, according to the accounting treatment of the related transaction. The tax charge comprises both current and deferred tax.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable in respect of previous years. The current tax charge is based on tax rates that are enacted or substantively enacted at the year end.

Deferred tax arises due to certain temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and those for taxation purposes. Temporary differences relating to investments in subsidiaries and joint ventures are not provided for to the extent that they will probably not reverse in the foreseeable future.

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

Forecasting future taxable profits to which these losses will be offset requires significant judgements and assumptions regarding future performance. The recoverability of the assets recognised could vary significantly if different assumptions are applied in estimating future taxable profits. In addition, the intended conversion to a REIT in early 2017 may make some of the tax losses inaccessible at some point in the future. Deferred tax assets in respect of forecast taxable profits have been restricted to the next financial year.

#### a) Tax – income statement

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

| | **2015 £m** | 2014 £m |
|---|---|---|
| Income tax on UK rental income arising in non-UK companies | **1.6** | 1.2 |
| **Current tax charge** | **1.6** | **1.2** |
| | | |
| Movement on the revaluation of investment properties | **19.2** | 0.5 |
| Movement on the revaluation of joint venture investments | **11.7** | 3.4 |
| Other temporary timing differences | **(0.1)** | (0.9) |
| Prior year adjustments | **0.3** | (0.6) |
| **Deferred tax charge/(credit)** | **31.1** | **2.4** |
| | | |
| **Total tax charge/(credit) in income statement** | **32.7** | **3.6** |

## SECTION 2: RESULTS FOR THE YEAR CONTINUED

### 2.5 Tax continued

#### a) Tax – income statement continued

In the income statement, a tax charge of £32.7 million arises on a profit before tax of £388.4 million, the taxation charge that would arise at the standard rate of UK corporation tax is reconciled to the actual tax charge as follows:

| | **2015 £m** | 2014 £m |
|---|---|---|
| **Profit before tax** | **388.4** | **108.4** |
| Income tax using the UK corporation tax rate of 20.25% (2014: 21.5%) | **78.7** | 23.3 |
| Effect of indexation on investment and development property | **(3.4)** | (1.9) |
| Non-taxable items | **(31.3)** | (11.5) |
| Movement on unprovided deferred tax asset | **(0.6)** | (4.3) |
| Profits chargeable at lower rate | **–** | (0.1) |
| Effect of property disposals | **–** | (1.1) |
| Rate difference on deferred tax | **(4.1)** | (0.1) |
| Recognition of previously un-recognised deferred tax asset | **(7.4)** | – |
| Effect of tax deduction transferred to equity on share schemes | **1.1** | – |
| Prior years adjustments | **(0.3)** | (0.7) |
| **Total tax charge in income statement** | **32.7** | **3.6** |

Included within non-taxable items of £31.3 million are adjustments for property revaluations that are not subject to tax. Other items include tax only adjustments, and expenditure not ordinarily allowable for tax purposes such as aborted deal costs.

#### b) Tax – other comprehensive income

Within other comprehensive income a tax charge totalling £1.7 million (2014: £1.2 million) has been recognised representing deferred tax. An analysis of this is included below in the deferred tax movement table (note 2.5c).

## SECTION 2: RESULTS FOR THE YEAR CONTINUED

### 2.5 Tax continued

c) Tax – balance sheet

The table below outlines the deferred tax liabilities/(assets) that are recognised in the balance sheet, together with their movements in the year:

**2015**

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

2014

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

A deferred tax asset of £1.7 million (2014: £8.9 million) in respect of losses of £8.5 million (2014: £44.7 million) has not been recognised. Complexities in the Group structure mean these losses may be inaccessible and the Group intends to convert to REIT status in early 2017. Accordingly, the recognised deferred tax asset has been restricted to those losses which are likely be utilised in the next financial year.

A reduction in the UK corporation tax rate from 20% to 19% (effective 1 April 2017) and from 19% to 18% (effective 1 April 2020) was substantively enacted on 26 October 2015. This will reduce the Group's future current tax charge accordingly. Deferred tax at 31 December 2015 has been calculated based on the rate at which it is expected to reverse.

Company

Deferred tax has not been recognised on temporary differences of £104.9 million (2014: £69.3 million) in respect of revaluation of subsidiaries and investment in joint ventures as it is probable that the temporary difference will not reverse in the foreseeable future.

### 2.6 Audit fees

Disclosures in respect of fees paid to the auditors can be found in the Audit Committee Report, page 62.

## SECTION 3: ASSET MANAGEMENT

**The Group holds its property portfolio directly and through its joint ventures. The performance of the property portfolio whether wholly owned or in joint ventures is the key factor that drives EPRA net asset value (NAV), one of the Group's key performance indicators. The following pages provide disclosures about the Group's investments in property assets and joint ventures and their performance over the year.**

### 3.1 Wholly owned property assets

The Group's wholly owned property portfolio is held in four groups on the balance sheet at the carrying values detailed below. In the Group's EPRA NAV, all these groups are shown at market value.

#### i) Investment property (fixed assets)

These are assets that the Group intends to hold for a long period to earn rental income or capital appreciation. The assets are held at fair value in the balance sheet with changes in fair value taken to the income statement.

#### ii) Investment property under development (fixed assets)

These are assets which are currently in the course of construction and which will be transferred to 'Investment property' on completion. The assets are held at fair value in the balance sheet with changes in fair value taken to the income statement.

#### 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. These assets are held at cost in the balance sheet.

## SECTION 3: ASSET MANAGEMENT CONTINUED

### 3.1 Wholly owned property assets continued

#### Accounting policies

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

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

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

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

Borrowing costs are capitalised if they are directly attributable to the acquisition and construction of a property asset. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalisation of borrowing costs continues until the assets are substantially ready for their intended use but stops if development activities are suspended. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised. The capitalisation rate is arrived at by reference to the actual rate payable on borrowings for development purposes or, with regard to that part of the development cost financed out of general borrowings, to the average rate. During the year the average capitalisation rate used was 6.4% (2014: 5.6%).

The valuation of property assets involves significant judgement and changes to the core assumptions – market conditions, rental income, occupancy and property management costs – could have a significant impact on the carrying value of these assets.

#### Valuation process

Valuations of the properties are performed twice a year on the basis of valuation reports prepared by external, independent valuers, having an appropriate recognised professional qualification. The fair values are based on market values as defined in the RICS Appraisal and Valuation Manual, issued by the Royal Institution of Chartered Surveyors. CB Richard Ellis Ltd, Jones Lang LaSalle Ltd and Messrs Knight Frank, Chartered Surveyors, were the valuers in the years ending 31 December 2015 and 2014.

The valuations are based on both:

- Information provided by the Group such as current rents, occupancy, operating costs, terms and conditions of leases and nomination agreements, capital expenditure, etc. This information is derived from the Group’s financial systems and is subject to the Group’s overall control environment.
- Assumptions and valuation models used by the valuers – the assumptions are typically market related, such as yield and discount rates. These are based on their professional judgement and market observation

The information provided to the valuers – and the assumptions and the valuation models used by the valuers – are reviewed by the Property Board and the CFO. This includes a review of the fair value movements over the year.

## SECTION 3: ASSET MANAGEMENT CONTINUED

### 3.1 Wholly owned property assets continued

The movements in the carrying value of the Group's wholly owned property portfolio during the year ended 31 December 2015 are shown in the table below. Whilst completed property and property under development are held at cost on the balance sheet, the Group manages the assets based on their market value (fair value). These properties are included in EPRA NAV at their fair value and are valued on the same basis as for investment property and investment property under development, that is, by external valuers. The fair value of the Group's wholly owned properties at the year ended 31 December 2015 are also shown below.

**2015**

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

Included within investment properties at 31 December 2015 are £41.6 million (2014: £31.4 million) of assets held under a long leasehold and £10.5 million (2014: £10.4 million) of assets held under short leasehold.

Total interest capitalised in investment and development properties at 31 December 2015 was £35.4 million (2014: £40.3 million) on a cumulative basis. Total internal costs relating to construction and development costs of Group properties amount to £49.6 million at 31 December 2015 (2014: £47.4 million) on a cumulative basis.

## 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 2014 and the fair value of the Group's wholly owned property portfolio at the year ended 31 December 2014 is as follows:

2014

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

#### Recurring fair value measurement

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

## SECTION 3: ASSET MANAGEMENT CONTINUED

### 3.1 Wholly owned property assets continued

| Class of asset | 2015 £m | 2014 £m |
|---|---|---|
| London – rental properties | **409.4** | 438.1 |
| Major provincial – rental properties | **431.1** | 346.1 |
| Other provincial – rental properties | **183.9** | 167.6 |
| Major provincial – development properties | **94.2** | 42.3 |
| Other provincial – development properties | **55.6** | 6.9 |
| **Market value** | **1,174.2** | **1,001.0** |

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)

| | 2015 £m | 2014 £m |
|---|---|---|
| Opening fair value | **1,001.0** | 947.4 |
| Gains and losses recognised in income statement | **164.8** | 43.3 |
| Gains and losses not recognised on properties under development | **–** | 8.4 |
| Acquisitions | **–** | – |
| Capital Expenditure | **109.7** | 53.6 |
| Disposals | **(101.3)** | (51.7) |
| **Closing fair value** | **1,174.2** | **1,001.0** |

## SECTION 3: ASSET MANAGEMENT CONTINUED

### 3.1 Wholly owned property assets continued

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

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

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

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.

## SECTION 3: ASSET MANAGEMENT CONTINUED

### 3.2 Inventories

| | **2015 £m** | 2014 £m |
|---|---|---|
| Interests in land | **0.9** | 1.5 |
| Other stocks | **2.7** | 2.4 |
| **Inventories** | **3.6** | **3.9** |

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. In addition, the Group only has interests in one piece of land reduced from three in 2014.

### 3.3 Other non-current assets

#### Accounting policies

**Property, plant and equipment (other than land and buildings)**

Property, plant and equipment other than land and buildings 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 life 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 7 years being the estimated useful lives of the intangible assets, from the date they are available for use. Amortisation is charged to the income statement.

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

| | **2015** | | | 2014 | | |
|---|---|---|---|---|---|---|
| | **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 | **14.8** | **25.4** | **40.2** | 10.0 | 19.7 | 29.7 |
| Additions | **4.1** | **7.7** | **11.8** | 4.8 | 5.7 | 10.5 |
| At 31 December | **18.9** | **33.1** | **52.0** | 14.8 | 25.4 | 40.2 |
| **Depreciation, amortisation and impairment losses** | | | | | | |
| At 1 January | **8.2** | **16.7** | **24.9** | 7.2 | 15.2 | 22.4 |
| Depreciation/amortisation charge for the year | **1.2** | **1.4** | **2.6** | 1.0 | 1.5 | 2.5 |
| At 31 December | **9.4** | **18.1** | **27.5** | 8.2 | 16.7 | 24.9 |
| Carrying value at 1 January | **6.6** | **8.7** | **15.3** | 2.8 | 4.5 | 7.3 |
| **Carrying amount at 31 December** | **9.5** | **15.0** | **24.5** | **6.6** | **8.7** | **15.3** |

Intangible assets include £10.1 million (2014: £4.6 million) of assets not being amortised as they are not yet ready for use.

At 31 December 2015 the Group had capital commitments amounting to £2.3 million relating to intangible assets.

## 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 on joint ventures on an equity basis. Interest free joint venture investment loans are initially recorded at fair value – the difference between the nominal amount and fair value being treated as an investment in the joint venture. The implied discount is amortised over the contracted life of the investment loan.

The Directors consider that the agreements integral to its joint ventures result in the Group having joint control; a significant degree of judgement is exercised in this assessment due to the complexity of the contractual arrangements.

USAF and LSAV are jointly owned entities that are accounted for as joint ventures. Due to the complexity of the contractual arrangements and Unite's role as manager of the joint venture vehicles, the assessment of joint control following changes to accounting standards (IFRS10) involves judgements around a number of significant factors. These factors include how Unite as fund manager has the ability to direct relevant activities such as acquisitions, disposals, capital expenditure for refurbishments and funding whether through debt or equity. This assessment for USAF is complex because of the number of unit holders and how their rights are represented through an Advisory Committee. For some of the activities it is not clear who has definitive control of the activities, in some scenarios the Group can control, in others the Advisory Committee. However, for the activities which are considered to have the greatest impact on the returns of USAF, acquisitions and equity financing, it has been determined that the Group and the Advisory Committee has joint power in directing these activities and that on balance, it is appropriate to account for USAF as a joint venture. The assessment for LSAV is more straightforward because the Group and GIC each own 50% of the joint venture and there is therefore much clearer evidence that control over the key activities is shared by the two parties.

The Group has two joint ventures:

| Joint venture | Group's share of assets/results 2015 (2014) | Objective | Partner | Legal entity in which Group has interest |
|---|---|---|---|---|
| The UNITE UK Student Accommodation Fund (USAF) | 23.0%* (24.0%) | Invest in and operate student accommodation throughout the UK | Consortium of investors | UNITE Student Accommodation Fund, a Jersey Unit Trust |
| London Student Accommodation Venture (LSAV) | 50% (50%) | Develop and operate student accommodation in London | GIC Real Estate Pte, Ltd Real estate investment vehicle of the Government of Singapore | LSAV Unit Trust (a Jersey Unit Trust) and LSAV (Holdings) Ltd (incorporated in Jersey) |

* Part of the Group's interest is held through a subsidiary, USAF (Feeder) Guernsey Ltd, in which there is an external investor. A minority interest therefore occurs on consolidation of the Group's results representing the external investor's share of profits and assets relating to its investment in USAF. The ordinary shareholders of The UNITE Group plc are beneficially interested in 21.4% (2014: 22.0%) of USAF.

## SECTION 3: ASSET MANAGEMENT CONTINUED

### 3.4 Investments in joint ventures (Group) continued

a) Net assets and results of the joint ventures

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

**2015**

| | USAF £m | | LSAV £m | | OCB £m | | Total £m | |
|---|---|---|---|---|---|---|---|---|
| | Gross | Share | Gross | Share | Gross | Share | Gross | Share |
| Investment property | **2,074.2** | **477.4** | **894.4** | **447.2** | **–** | **–** | **2,968.6** | **924.6** |
| Cash | **36.6** | **8.4** | **28.4** | **14.2** | **–** | **–** | **65.0** | **22.6** |
| Debt | **(638.3)** | **(146.9)** | **(336.0)** | **(168.0)** | **–** | **–** | **(974.3)** | **(314.9)** |
| Swap liabilities | **–** | **–** | **(3.9)** | **(2.0)** | **–** | **–** | **(3.9)** | **(2.0)** |
| Other current assets | **1.9** | **0.5** | **1.0** | **0.5** | **–** | **–** | **2.9** | **1.0** |
| Other current liabilities | **(66.2)** | **(11.6)** | **(18.2)** | **(9.1)** | **–** | **–** | **(84.4)** | **(20.7)** |
| Net assets | **1,408.2** | **327.8** | **565.7** | **282.8** | **–** | **–** | **1,973.9** | **610.6** |
| **Profit/(loss) for the year** | **234.3** | **63.7** | **236.1** | **118.1** | **–** | **–** | **470.4** | **181.8** |
| **EPRA net assets** | **1,408.2** | **305.3** | **569.6** | **284.8** | **–** | **–** | **1,977.8** | **590.1** |

2014

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

Net assets and profit for the year above include the minority interest, whereas EPRA net assets exclude the minority interest.

## SECTION 3: ASSET MANAGEMENT CONTINUED

### 3.4 Investments in joint ventures (Group) continued

#### b) Movement in carrying value of the Group's investments in joint ventures

The carrying value of the Group's investment in joint ventures has increased by £226.8 million during the year ended 31 December 2015 (2014: £146.6 million), resulting in an overall carrying value of £610.6 million (2014: £383.8 million). The following table shows how the increase has been achieved.

| | **2015** | | | 2014 | | |
|---|---|---|---|---|---|---|
| | **Investment in joint venture £m** | **Joint venture investment loan £m** | **Total interest £m** | Investment in joint venture £m | Joint venture investment loan £m | Total interest £m |
| **Recognised in the income statement:** | | | | | | |
| Operations segment result | **23.6** | **–** | **23.6** | 17.0 | – | 17.0 |
| Minority interest share of Operations segment result | **1.2** | **–** | **1.2** | 1.3 | – | 1.3 |
| Management fee adjustment related to trading with joint venture | **4.1** | **–** | **4.1** | 3.0 | – | 3.0 |
| Net revaluation gains | **152.7** | **–** | **152.7** | 35.7 | – | 35.7 |
| Discount on interest free loans (note 4.3) | **–** | **–** | **–** | (0.4) | 0.4 | – |
| Debt exit costs | **–** | **–** | **–** | (0.1) | – | (0.1) |
| Loss on cancellation of interest rate swaps | **(0.3)** | **–** | **(0.3)** | – | – | – |
| Landsbanki cash received | **–** | **–** | **–** | 0.4 | – | 0.4 |
| Loss on disposal of properties | **0.3** | **–** | **0.3** | (0.6) | – | (0.6) |
| Other | **0.2** | **–** | **0.2** | 0.2 | – | 0.2 |
| | **181.8** | **–** | **181.8** | 56.5 | 0.4 | 56.9 |
| **Recognised in equity:** | | | | | | |
| Movement in effective hedges | **0.6** | **–** | **0.6** | (2.3) | – | (2.3) |
| **Other adjustments to the carrying value:** | | | | | | |
| Profit adjustment related to trading with joint venture | **(11.9)** | **–** | **(11.9)** | (1.5) | 0.1 | (1.4) |
| Repayment of loan to OCB | **–** | **–** | **–** | – | (10.7) | (10.7) |
| Increase in loan to USAF | **30.5** | **–** | **30.5** | 12.8 | – | 12.8 |
| Additional capital invested in USAF | **29.1** | **–** | **29.1** | 57.1 | – | 57.1 |
| Additional capital invested in UCC | **–** | **–** | **–** | 26.5 | – | 26.5 |
| Additional capital invested in LSAV | **23.3** | **–** | **23.3** | 19.7 | – | 19.7 |
| USAF performance fee | **(3.7)** | **–** | **(3.7)** | – | – | – |
| Distributions received | **(22.9)** | **–** | **(22.9)** | (22.2) | – | (22.2) |
| **Increase/(decrease) in carrying value** | **226.8** | **–** | **226.8** | **146.6** | **(10.2)** | **136.4** |
| Carrying value at 1 January | **383.8** | **–** | **383.8** | 237.2 | 10.2 | 247.4 |
| **Carrying value at 31 December** | **610.6** | **–** | **610.6** | **383.8** | **–** | **383.8** |

## SECTION 3: ASSET MANAGEMENT CONTINUED

### 3.4 Investments in joint ventures (Group) continued

#### b) Movement in carrying value of the Group's investments in joint ventures continued

In addition to its equity shares, the Group has also provided interest free investment loans to some of the joint ventures. These were primarily provided on the setting up of the joint venture to provide capital to acquire investment properties. As a result of being provided interest free, the loans were discounted on recognition to reflect the fair value, the unwinding of the discount is reflected in the Group's finance income.

#### c) Transactions with joint ventures

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

| | **2015 £m** | 2014 £m |
|---|---|---|
| USAF | **8.5** | 6.9 |
| LSAV | **4.7** | 3.4 |
| OCB | **–** | 0.3 |
| **Asset and property management fees** | **13.2** | 10.6 |
| | | |
| LSAV | **1.4** | 2.7 |
| **Development management fees** | **1.4** | 2.7 |
| | | |
| USAF performance fee | **25.6** | – |
| USAF acquisition fee | **2.1** | 1.4 |
| **Investment management fees*** | **27.7** | 1.4 |
| | | |
| **Total fees** | **42.3** | 14.7 |

* Included in the movement in EPRA NAV in a USAF performance fee of £20.2 million (2014: £nil). This is the gross fee of £25.6 million (2014: £nil) paid by USAF net of associated costs of £2.2 million (2014: £nil) and a £3.2 million (2014: £nil) adjustment related to trading with joint ventures. The USAF performance fee will be settled in units in The Unite UK Student Accommodation Fund rather than cash. Full details of the USAF performance fees are set out in the Strategic Review on pages 1 to 49.

Included in share of joint venture profit in the income statement is a share of joint venture property management fee costs of £1.4 million (2014: £0.8 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 (2014: £0.2 million). This results in the net fees included in the Operating Segment result (note 2.2a) of £12.0 million (2014: £10.0 million). Development management fees are included in the Property Segment result (note 2.2a). Investment management fees are included within the unallocated to segments (note 2.2a).

Included in the movement in EPRA NAV in a USAF property acquisition fee of £1.7 million (2014: £1.2 million). This is the gross fee of £2.1 million (2014: £1.4 million) paid by USAF net of a £0.4 million (2014: £0.2 million) adjustment related to trading with joint ventures.

During the year the Group has paid operating lease rentals to USAF relating to two properties under a sale and leaseback agreement amounting to £2.7 million (2014: £1.3 million).

## SECTION 3: ASSET MANAGEMENT CONTINUED

### 3.4 Investments in joint ventures (Group) continued

c) Transactions with joint ventures continued

During the year the Group sold one property to LSAV for £84.3 million. The property was held on the balance sheet as property within current assets, the proceeds and carrying value of the property are therefore recognised in revenue and cost of sales and the cash flows in operating activities. One property was sold to USAF in 2014. The profits relating to sales and associated disposal costs and related cash flows are set out below:

| | **Profit and loss 2015 LSAV £m** | Profit and loss 2014 LSAV £m |
|---|---|---|
| Included in property sales and other income (net of joint venture trading adjustment) | **77.2** | – |
| Included in cost of sales | **(70.1)** | – |
| **Profit on disposal of property** | **7.1** | – |

| | **Profit and loss 2015 USAF £m** | Profit and loss 2014 USAF £m |
|---|---|---|
| Included in loss on disposal of property (net of joint venture trading adjustment) | **–** | 0.4 |
| **Profit on disposal of property** | **–** | 0.4 |

| | **Cash flow 2015 LSAV £m** | Cash flow 2014 LSAV £m |
|---|---|---|
| Proceeds | **84.3** | – |
| **Net cash flows included in cash flows from operating activities** | **84.3** | – |

| | **Cash flow 2015 USAF £m** | Cash flow 2014 USAF £m |
|---|---|---|
| Gross proceeds | **–** | 20.1 |
| Part settled by: | | |
| Investment in joint venture | **–** | (10.0) |
| **Net cash flows included in cash flows from investing activities** | **–** | 10.1 |

## SECTION 3: ASSET MANAGEMENT CONTINUED

### 3.5 Investments in subsidiaries (Company)

**Accounting policies**

In the financial statements of the Company, investments in subsidiaries are held at fair value. Changes in fair value are recognised in other comprehensive income and presented in the revaluation reserve in equity.

**Carrying value of investment in subsidiaries**

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

| | Investment in subsidiaries | |
|---|---|---|
| | **2015 £m** | 2014 £m |
| At 1 January | **412.0** | 323.8 |
| Revaluation | **236.3** | 88.2 |
| **At 31 December** | **648.3** | **412.0** |

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 106. 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 133.

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 (2014: £90.0 million). A further loan of £89.9 million (2014: £89.9 million) was provided to LDC (Holdings) plc with interest chargeable at 5.0%.

A full list of the Company's subsidiaries and joint ventures can be found in note 7.

## SECTION 4: FUNDING

**The Group finances its development and investment activities through a mixture of retained earnings, borrowings and equity. The Group continuously monitors its financing arrangements to manage its gearing. Interest rate swaps are used to manage the Group's risk to fluctuations in interest rate movements.**
**The following pages provide disclosures about the Group's funding position, including borrowings, gearing and hedging instruments; its exposure to market risks; and its capital management policies.**

### 4.1 Borrowings

#### Accounting policies

Interest bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

On 10 October 2013 the Group issued a convertible bond. The unsecured instrument pays a coupon of 2.5% until 10 October 2018. In accordance with IFRS, the equity and debt components of the bond are accounted for separately and the fair value of the debt component has been determined using the market interest rate for an equivalent non-convertible bond. As a result, £80.3 million was recognised as a liability in the balance sheet on issue and the remainder of the proceeds, £9.6 million, which represents the equity component, was credited to reserves. The difference between the fair value of the liability and the principal value is amortised through the income statement from the date of issue. Issue costs of £2.0 million were allocated between equity and debt and the element relating to the debt component is being amortised over the life of the bond. The issue costs apportioned to equity of £0.2 million are not amortised.

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2015 £m** | 2014 £m | **2015 £m** | 2014 £m |
| **Current** | | | | |
| In one year or less, or on demand | **31.3** | 12.5 | **1.4** | – |
| **Non-current** | | | | |
| In more than one year but not more than two years | **1.5** | 40.5 | **–** | – |
| In more than two years but not more than five years | **202.2** | 106.7 | **83.0** | 81.2 |
| In more than five years | **240.1** | 330.1 | **90.0** | 90.0 |
| | **443.8** | 477.3 | **173.0** | 171.2 |
| **Total borrowings** | **475.1** | **489.8** | **174.4** | **171.2** |

In addition to the borrowings currently drawn as shown above, the Group has available undrawn facilities of £174.0 million (2014: £76.5 million). A further overdraft facility of £10.0 million (2014: £10.0 million) is also available.

The carrying value of borrowings is considered to be approximate to fair value, except for the Group's fixed rate loans carried at £331.4 million (2014: £332.5 million) and the convertible bond carried at £84.3 million (2014: £82.5). The convertible bond and £90.0 million (2014: £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 £218.4 million (2014: £194.5 million). The IFRS 13 level categorisation relates to the extent the fair value can be determined by reference to comparable market values. The classifications range from level 1 where instruments are quoted on an active market through to level 3 where the assumptions used to arrive at fair value do not have comparable market data.

The remaining £241.4 million (2014: £242.5 million) of the fixed rate loans are classified as level 2 in the IFRS 13 fair value hierarchy. The fair value of these fixed rate loans has been calculated by a third party expert discounting estimated future cash flows on the basis of market expectations of future interest rates. The fair value of these loans is £226.4 million (2014: £224.0 million).

Properties with a carrying value of £993.6 million (2014: £651.9 million) have been pledged as security against the Group's drawn down borrowings.

## SECTION 4: FUNDING CONTINUED

### 4.2 Interest rate swaps

The Group uses interest rate swaps to manage the Group's exposure to interest rate fluctuations. In accordance with the Group's treasury policy, the Group does not hold or issue interest rate swaps for trading purposes and only holds swaps which are considered to be commercially effective.

#### Accounting policies

Interest rate swaps are recognised initially and subsequently at fair value, with mark to market movements recognised in the income statement unless cash flow hedge accounting is applied.

Hedge accounting, as defined in IFRS, is when the interest rate swap is designated as the hedging instrument in a hedge of the variability in cash flows attributable to the interest risk of borrowings. The effective portion of changes in fair value of the interest rate swap is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the interest rate swap is recognised immediately in profit or loss. The Group only applies hedge accounting when the hedge is expected to be highly effective.

When a hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss at that point remains in equity with any subsequent movements in fair value taken to the income statement. If the hedged transaction is no longer probable, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current credit worthiness of the swap counterparties.

The following table shows the fair value of interest rate swaps:

| | **2015 £m** | 2014 £m |
|---|---|---|
| Current | **–** | 0.4 |
| Non-current | **2.3** | 1.9 |
| **Fair value of interest rate swaps** | **2.3** | **2.3** |

The fair values of interest rate swaps have been calculated by a third party expert, discounting estimated future cash flows on the basis of market expectations of future interest rates, representing level 2 in the IFRS 13 fair value hierarchy.

### 4.3 Net financing costs

#### Accounting policies

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

## SECTION 4: FUNDING CONTINUED

### 4.3 Net financing costs continued

| Recognised in the income statement: | 2015 £m | 2014 £m |
|---|---|---|
| Finance income | | |
| – Interest income on deposit | **(0.2)** | (0.1) |
| – Impact of discounting on interest free joint venture investment loans (note 3.4b) | **–** | (0.4) |
| **Finance income** | **(0.2)** | **(0.5)** |
| | | |
| Gross interest expense on loans | **25.3** | 28.6 |
| Loan break costs | **–** | 1.6 |
| Interest capitalised | **(2.7)** | (8.0) |
| Loan interest and similar charges | **22.6** | 22.2 |
| | | |
| Changes in mark to market of interest rate swaps not accounted for as hedges | **0.6** | 1.3 |
| **Finance costs** | **23.2** | **23.5** |
| **Net financing costs** | **23.0** | **23.0** |

The average cost of the Group's wholly owned investment debt at 31 December 2015 is 4.7% (2014: 5.1%). The overall average cost of investment debt on a see-through basis is 4.5% (2014: 4.7%).

### 4.4 Gearing

The Group's adjusted gearing ratio is a key indicator that the Group uses to manage its indebtedness. EPRA net asset value (NAV) and adjusted net debt are used to calculate adjusted gearing. Adjusted net debt excludes mark to market of interest rate swaps as shown below.

The Group's gearing ratios are calculated as follows:

| | Note | 2015 £m | 2014 £m |
|---|---|---|---|
| Cash and cash equivalents | 5.1 | **27.0** | 41.4 |
| Current borrowings | 4.1 | **(31.3)** | (12.5) |
| Non-current borrowings | 4.1 | **(443.8)** | (477.3) |
| Interest rate swaps liabilities | 4.2 | **(2.3)** | (2.3) |
| **Net debt per balance sheet** | | **(450.4)** | **(450.7)** |
| | | | |
| Mark to market of interest rate swaps | | **2.3** | 2.3 |
| | | | |
| **Adjusted net debt** | | **(448.1)** | **(448.4)** |
| Reported net asset value (attributable to owners of the parent company) | 2.3c | **1,275.1** | 842.5 |
| EPRA net asset value | 2.3c | **1,394.4** | 881.1 |
| | | | |
| **Gearing** | | | |
| Basic (Net debt/Reported net asset value) | | **35%** | 53% |
| Adjusted gearing (Adjusted net debt/EPRA net asset value) | | **32%** | 51% |
| See-through adjusted gearing (including share of JV properties and net debt) | | **52%** | 79% |
| See-through adjusted LTV | | **35%** | 43% |

## SECTION 4: FUNDING CONTINUED

### 4.5 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risks – primarily interest rate risk, credit risk and liquidity risk. The Group's treasury policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Details on credit risk can be found in note 5.3.

#### a) Interest rate risk

Interest rate risk is the risk that the Group is impacted by significant changes in interest rates. Borrowings issued at or swapped to floating rates expose the Group to interest rate risk. The Group's policy is separated into two main areas:

##### i) Development and refinancing

The Group had no development borrowings as at 31 December 2015 (2014: £nil).

The Group's principal exposure to interest rate fluctuations during development relates to movements in longer term interest rates which affect the amount of debt the property income is capable of servicing at completion. Significant adverse movements undermine the Group's ability to release equity from its developments.

The Group will continue to review the level of its hedging in the light of the current low interest rate environment. The Group's policy allows this exposure to be managed through the use of forward starting swaps.

##### ii) Medium and long-term finance

The Group holds its medium and long-term bank finance under both floating and fixed rate arrangements. The majority of this floating debt is hedged through the use of interest rate swap agreements, although not all these arrangements qualify for hedge accounting under IAS 39. During 2015, the Group's policy guideline has been to hedge 75% and 95% of the Group's exposure for terms of approximately 2-10 years.

At 31 December 2015, after taking account of interest rate swaps, 87% (2014: 100%) of the Group's medium and long-term investment borrowing was held at fixed rates. Excluding the £1.7 million (2014: £79.6 million) of swaps the fixed investment borrowing is at an average rate of 4.6% (2014: 4.6%) for an average period of 6 years (2014: 7 years), including these swaps the average rate is 4.6% (2014: 4.4%).

The Group holds interest rate swaps at 31 December 2015 against £1.7 million (2014: £79.6 million) of the Group's borrowings. The maturity of these swaps and the applicable interest rates are as follows:

| | **2015 Nominal amount hedged £m** | **2015 Applicable interest rates %** | 2014 Nominal amount hedged £m | 2014 Applicable interest rates % |
|---|---|---|---|---|
| Within one year | **–** | **–** | 23.0 | 3.0 |
| Between one and two years | **–** | **–** | 51.1 | 2.6 |
| Between two and five years | **–** | **–** | – | – |
| More than five years | **1.7** | **5.6** | 5.5 | 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 (2014: £0.2 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.

## SECTION 4: FUNDING CONTINUED

### 4.5 Financial risk factors continued

b) Liquidity risk continued

**2015**

| | Total contractual cash flows £m | Less than 1 year £m | Between 1 and 2 years £m | Between 2 and 5 years £m | Over 5 years £m |
|---|---|---|---|---|---|
| Bank and other loans | **509.3** | **50.3** | **19.6** | **171.5** | **267.9** |
| Convertible bonds | **96.1** | **2.2** | **2.2** | **91.7** | **–** |
| Trade and other payables | **115.5** | **115.5** | **–** | **–** | **–** |
| Interest rate swaps – effective | **9.1** | **0.3** | **0.6** | **4.8** | **3.4** |
| Interest rate swaps – ineffective | **–** | **–** | **–** | **–** | **–** |
| | **730.0** | **168.3** | **22.4** | **268.0** | **271.3** |

2014

| | Total contractual cash flows £m | Less than 1 year £m | Between 1 and 2 years £m | Between 2 and 5 years £m | Over 5 years £m |
|---|---|---|---|---|---|
| Bank and other loans | 545.4 | 32.7 | 59.7 | 79.1 | 373.9 |
| Convertible bonds | 98.3 | 2.2 | 2.2 | 93.9 | – |
| Trade and other payables | 101.6 | 101.6 | – | – | – |
| Interest rate swaps – effective | 1.0 | 0.4 | 0.2 | 0.2 | 0.2 |
| Interest rate swaps – ineffective | 1.7 | 1.1 | 0.6 | – | – |
| | 748.0 | 138.0 | 62.7 | 173.2 | 374.1 |

During 2013 the Group issued £89.9m of convertible bonds. The bonds have a maturity date of 10 October 2018. Under the terms of the Convertible Bond, early conversion of the debt into equity can be triggered if the share price trades over 1.3 times the conversion price for a period of time, this threshold was triggered as at 31 December 2015; the bondholders have the right to exercise until 31 March 2016; the Group do not consider conversion in this time period likely. After this date the bondholders may exercise the Conversion Right in certain circumstances but this is contingent on a number of factors and therefore the bonds are shown to maturity in the above disclosure.

c) Covenant compliance

Many of the Group's funding facilities carry covenants. The Group monitors its covenant position and the headroom available on an ongoing basis. At 31 December 2015, 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 2015** | | 31 December 2014 | |
|---|---|---|---|---|
| | **Weighted covenant** | **Weighted actual** | Weighted covenant | Weighted actual |
| Loan to value | **74%** | **29%*** | 73% | 22%* |
| Interest cover | **1.47** | **4.47** | 1.45 | 2.61 |
| Minimum net worth | **£250m** | **£1,394** | £250m | £881m |

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

## SECTION 4: FUNDING CONTINUED

### 4.6 Operating leases

a) Payable

**Accounting policies**

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

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

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

| | **2015 £m** | 2014 £m |
|---|---|---|
| Less than one year | **14.7** | 14.8 |
| Between one and five years | **57.2** | 57.5 |
| More than five years | **154.5** | 171.4 |
| **Total** | **226.4** | **243.7** |

These leases primarily relate to properties which the group has sold and leased back and on which rental income is earned. The leases are generally for periods between 13 and 18 years and subject to annual RPI-based rent review. Two properties are subject to a fixed annual rent increase of 2%. The total operating lease expenditure incurred during the year was £15.4 million (2014: £14.8 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:

| | **2015 £m** | 2014 £m |
|---|---|---|
| Less than one year | **85.4** | 73.7 |
| Between one and five years | **124.3** | 48.3 |
| More than five years | **26.7** | 65.4 |
| **Total** | **236.4** | **187.4** |

### 4.7 Capital management

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

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

- adjusted net debt (4.4)
- adjusted gearing (4.4)
- see through LTV (2.3a)
- weighted average cost of investment debt (4.5aii)

In order to manage levels of adjusted gearing over the medium term, the Group seeks to deliver NAV growth and to recycle capital invested in lower performing assets into new assets and property developments. £84 million of property assets were sold in 2015 and we plan to sell an average of £50 – £100 million of property each year. The Group targets a yield on cost of approximately 9%. The Group does not commit to developing new sites until sufficient equity and funding to fulfil the full cost of the development is secure.

The Board monitors the ability of the Group to pay dividends out of available cash and distributable profits. The Operations Segment generated cash of £40.8 million (2014: £35.0 million) during the year, thereby covering the proposed dividend of £33.2 million, 1.2 times (2014: £22.5 million, 1.6 times).

## SECTION 4: FUNDING CONTINUED

### 4.8 Equity

**Accounting policies**

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

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

| | Number of ordinary shares | |
|---|---|---|
| | **2015** | 2014 |
| Issued at start of year – fully paid | **201,541,803** | 176,657,924 |
| Share placing | **20,137,326** | 24,500,000 |
| Share options exercised | **251,782** | 383,879 |
| Issued at end of year – fully paid | **221,930,911** | 201,541,803 |

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 20 April 2015 the Group completed a share placing and open offer of 21,137,326 shares, which gave rise to proceeds of £114.8 million, £112.3 million net of issue costs.

### 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 £12.1 million (2014: £4.4 million) and paid a £19.8 million final dividend relating to the year ended 31 December 2014 (2013: £6.3 million).

After the year end, the Directors proposed a final dividend per share of 9.5p (2014: 9.0p), bringing the total dividend per share for the year to 15.0p (2014: 11.2p). 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 2015 was £27.0 million (2014: £41.4 million).

At 31 December 2015 the Company had an overdraft of £1.4 million (2014: cash balance £8.6 million).

The Group's cash balances include £8.5 million (2014: £12.8 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 | **2015 £m** | 2014 £m | **2015 £m** | 2014 £m |
| Profit/(loss) for the year | | **355.7** | 104.8 | **289.9** | 114.7 |
| Adjustments for: | | | | | |
| Depreciation and amortisation | 3.3 | **2.6** | 2.5 | **–** | – |
| Fair value of share based payments | 6.1 | **2.9** | 2.1 | **–** | – |
| Dividends received | | **–** | – | **(55.7)** | (28.1) |
| Change in value of investment property | 3.1 | **(164.8)** | (43.3) | **–** | – |
| Change in value of investments | 3.5 | **–** | – | **(236.3)** | (88.2) |
| Net finance costs | 4.3 | **23.0** | 23.0 | **(0.3)** | (0.6) |
| Loss on disposal of investment property | | **0.6** | 1.0 | **–** | – |
| Share of joint venture profit | 3.4b | **(181.8)** | (56.5) | **–** | – |
| Trading with joint venture adjustment | | **15.5** | 1.4 | **–** | – |
| Tax charge/(credit) | 2.5a | **32.7** | 3.6 | **–** | – |
| **Cash flows from operating activities before changes in working capital** | | **86.4** | **38.6** | **(2.4)** | **(2.2)** |
| (Increase)/decrease in trade and other receivables | | **(39.6)** | 6.6 | **–** | – |
| Decrease/(increase) in completed property and property under development | | **70.1** | (8.6) | **–** | – |
| Decrease/(increase) in inventories | | **0.3** | (0.7) | **–** | – |
| Increase/(decrease) in trade and other payables | | **3.6** | 8.8 | **0.2** | (0.5) |
| **Cash flows from operating activities** | | **120.8** | **44.7** | **(2.2)** | **(2.7)** |

Cash flows consist of the following segmental cash inflows/(outflows): Operations £40.8 million (2014: £35.0 million), property (£48.3 million) (2014: (£16.0 million)) and unallocated (£6.9 million) (2014: £20.8 million). The unallocated amount includes Group dividends (£31.9 million) (2014: (£10.7 million)), tax payable of (£0.3 million) (2014: (£0.5 million)), investment in JVs (£52.4 million) (2014: (£105.4 million)), contributions to UNITE foundation (£1.0 million) (2014: (£0.9 million)) and amounts received from shares issued £112.6 million (2014: £96.7 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 | |
|---|---|---|---|---|
| | **2015 £m** | 2014 £m | **2015 £m** | 2014 £m |
| Trade receivables | **2.3** | 1.9 | **–** | – |
| Amounts due from group undertakings | **–** | – | **639.3** | 494.4 |
| Amounts owed by joint ventures | **41.7** | 28.1 | **–** | – |
| Prepayments and accrued income | **7.1** | 11.5 | **–** | – |
| USAF performance fee | **25.6** | – | **–** | – |
| Other receivables | **6.3** | 1.9 | **–** | – |
| **Trade and other receivables** | **83.0** | **43.4** | **639.3** | **494.4** |

The USAF performance fee will be settled in units in The Unite UK Student Accommodation Fund rather than cash.

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.

**2015**

| | **Ageing by academic year** | | | |
|---|---|---|---|---|
| | **Total £m** | **2015/16 £m** | **2014/15 £m** | **Prior years £m** |
| **Rental debtors** | | | | |
| Commercial tenants (past due and impaired) | **0.8** | **0.6** | **0.1** | **0.1** |
| Individual tenants (past due and impaired) | **3.6** | **1.9** | **0.7** | **1.0** |
| Provisions carried | **(2.1)** | **(0.4)** | **(0.6)** | **(1.1)** |
| **Trade receivables** | **2.3** | **2.1** | **0.2** | **–** |

2014

| | Ageing by academic year | | | |
|---|---|---|---|---|
| | Total £m | 2014/15 £m | 2013/14 £m | Prior years £m |
| **Rental debtors** | | | | |
| Commercial tenants (past due and impaired) | 0.6 | 0.4 | 0.1 | 0.1 |
| Individual tenants (past due and impaired) | 3.0 | 1.9 | 0.9 | 0.2 |
| Provisions carried | (1.7) | (0.6) | (0.9) | (0.2) |
| **Trade receivables** | **1.9** | **1.7** | **0.1** | **0.1** |

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

## SECTION 5: WORKING CAPITAL CONTINUED

### 5.2 Trade and other receivables continued

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

| | 2015 £m | 2014 £m |
|---|---|---|
| At 1 January | **1.7** | 1.5 |
| Impairment charged to income statement in year | **0.4** | 0.5 |
| Receivables written off during the year (utilisation of provision) | **–** | (0.3) |
| **At 31 December** | **2.1** | **1.7** |

### 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 | 2015 £m | 2014 £m |
|---|---|---|---|
| Cash | 5.1 | **27.0** | 41.4 |
| Trade receivables | 5.2 | **2.3** | 1.9 |
| Amounts due from joint ventures (excluding loans that are capital in nature) | 5.2 | **41.7** | 28.1 |
| | | **71.0** | **71.4** |

#### a) Cash

The Group operates investment guidelines with respect to surplus cash. Counterparty limits for cash deposits are largely based upon long-term ratings published by credit rating agencies and credit default swap rates.

#### b) Trade receivables

The Group's customers can be split into two groups – (i) students (individuals) and (ii) commercial organisations including Universities. The Group's exposure to credit risk is influenced by the characteristics of each customer. The Group holds tenant deposits of £7.8 million (2014: £8.3 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 | |
|---|---|---|---|---|
| | 2015 £m | 2014 £m | 2015 £m | 2014 £m |
| Trade payables | **20.7** | 16.6 | **–** | – |
| Retentions on construction contracts for properties | **4.6** | 4.0 | **–** | – |
| Amounts due to group undertakings | **–** | – | **58.2** | 59.6 |
| Other payables and accrued expenses | **52.5** | 46.5 | **2.7** | 2.5 |
| Deferred income | **37.7** | 34.5 | **–** | – |
| **Trade and other payables** | **115.5** | **101.6** | **60.9** | **62.1** |

Other payable and accrued expenses include £7.8 million (2014: £8.3 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 £2.3 million (2014: £2.2 million).

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

| | **2015 £m** | 2014 £m |
|---|---|---|
| UNITE Holdings plc | **103.7** | 89.6 |
| LDC (Holdings) plc | **534.6** | 404.8 |
| UNITE Jersey Issuer Ltd | **1.0** | – |
| **Amounts due from Group undertakings** | **639.3** | **494.4** |
| Unilodge Holding Ltd | **(58.2)** | (27.7) |
| Unilodge Holdings (UK) Ltd | **–** | (30.5) |
| UNITE Jersey Issuer Ltd | **–** | (1.4) |
| **Amounts due to Group undertakings** | **(58.2)** | **(59.6)** |

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

The Company has guaranteed £121 million of its subsidiary companies' borrowings (2014: £154 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 | |
|---|---|---|
| | **2015** | 2014 |
| Managerial and administrative | **330** | 323 |
| Site operatives | **758** | 654 |
| | **1,088** | **977** |

The aggregate payroll costs of these persons were as follows:

| | **2015 £m** | 2014 £m |
|---|---|---|
| Wages and salaries | **37.5** | 33.5 |
| Social security costs | **3.5** | 3.6 |
| USAF performance fee bonus | **2.2** | – |
| Pension costs | **1.1** | 1.0 |
| Fair value of share based payments | **2.9** | 2.1 |
| | **47.2** | **40.2** |

The wages and salaries costs include redundancy costs of £0.7 million (2014: £1.0 million).

Full details of the USAF performance fees are set out in the Strategic Review on pages 1 to 49.

#### Accounting policies

The Group operates a defined contribution pension scheme. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

### 6.2 Key management personnel

The Board considers that the key management personnel within the Group are those appointed to the Board. As such, the remuneration of key management personnel is contained within the Remuneration Report on pages 82 to 91, which covers the requirements of schedule 5 of the relevant legislation.

## SECTION 6: KEY MANAGEMENT AND EMPLOYEE BENEFITS CONTINUED

### 6.3 Share based compensation

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

#### a) Share schemes

The Group operates the following schemes:

| | |
|---|---|
| Executive share option scheme – 'The Approved Scheme'<br>Executive share option scheme – 'The Unapproved Scheme'<br>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 2015** | **Number of options (thousands) 2015** | Weighted average exercise price 2014 | Number of options (thousands) 2014 |
|---|---|---|---|---|
| Outstanding at 1 January | **£0.57** | **3,618** | £0.48 | 4,179 |
| Forfeited during the year | **£1.13** | **(168)** | £0.78 | (383) |
| Exercised during the year | **£0.35** | **(1,337)** | £0.60 | (1,076) |
| Granted during the year | **£1.76** | **661** | £1.11 | 898 |
| Outstanding at 31 December | **£0.91** | **2,774** | £0.57 | 3,618 |
| Exercisable at 31 December | **£0.58** | **109** | £0.50 | 133 |

For those options exercised in the year, the average share price during 2015 was £5.93 (2014: £4.32).

For those options still outstanding, the range of exercise prices at the year end was 0p to 584p (2014: 0p to 429p) and the weighted average remaining contractual life of these options was 0.4 years (2014: 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.

## SECTION 7: COMPANY SUBSIDIARIES AND JOINT VENTURES

| | Country of incorporation | Class of Investment held | Ownership interest |
|---|---|---|---|
| 301 Holloway (Investments) Limited | United Kingdom | Ordinary shares | 100.0% |
| Acebring Limited | United Kingdom | Ordinary shares | 100.0% |
| Branchfirm Limited | United Kingdom | Ordinary shares | 100.0% |
| Exchange Works 2001 Limited | United Kingdom | Ordinary shares | 100.0% |
| Fitzhardinge Properties Limited | United Kingdom | Ordinary shares | 100.0% |
| Hamsard 2327 Limited | United Kingdom | Ordinary shares | 100.0% |
| Handlemotor Limited | United Kingdom | Ordinary shares | 100.0% |
| Hiremaxi Limited | United Kingdom | Ordinary shares | 100.0% |
| Home for Success Limited | United Kingdom | Ordinary shares | 100.0% |
| Infoforth Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (130 Macdonald Road) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Aberdeen 602) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (AIB Warehouse) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Alexandra) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Allensbank) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Alscot Road) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Anchor Road) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Angel Lane) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Bartholomew Road) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Brunel House) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Buchanan) Limited * | United Kingdom | Ordinary shares | 100.0% |
| LDC (Buxton Street) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Camden Court Leasehold) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Camden Court) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Camden Road) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Capital Cities Nominee no. 1) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Capital Cities Nominee no. 2) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Capital Cities Nominee no. 3) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Capital Cities Nominee no. 4) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Capital Cities) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Causewayend) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Centrepoint) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Chalmers Street) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Chantry Court Leashold) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Chantry Court) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Chaucer) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Cobourg) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Colliers Wood) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Colston Street) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Concept House) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Constitution Street) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Construction Two) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Culver) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Curzon Street) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Denmark Street) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Devonshire Street) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Elizabeth House) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Euro Loan) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Ewan Henderson) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Far Gosford) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Fellsdyke) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Ferry Lane 2) Holdings Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Ferry Lane 2) GP 4 Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Finance) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Frogmore Street) Limited* | United Kingdom | Ordinary shares | 100.0% |
| LDC (Fulham Road) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Godiva Place) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Greek) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Greetham Street) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Gt Suffolk St) Limited Partnership | United Kingdom | Partner's capital | 100.0% |
| LDC (Gt Suffolk St) Management Limited Partnership | United Kingdom | Partner's capital | 100.0% |

## SECTION 7: COMPANY SUBSIDIARIES AND JOINT VENTURES CONTINUED

| | Country of incorporation | Class of Investment held | Ownership interest |
|---|---|---|---|
| LDC (Gt Suffolk St) Unit Trust | Jersey | Units | 100.0% |
| LDC (Gt Suffolk Street) GP1 Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Gt Suffolk Street) GP2 Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Gt Suffolk Street) Holdings Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Gt Suffolk Street) Management GP1 Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Gt Suffolk Street) Management GP2 Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Hampton Street) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Hanley Park) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Hillhead) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Holdings) PLC* | United Kingdom | Ordinary shares | 100.0% |
| LDC (Hollis Croft) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Holloway Road 3) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Holloway Road) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Huddersfield) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Hume House) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Imperial Wharf 2) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Imperial Wharf) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (James Leicester Hall) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (James Watson Leasehold) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (John Bell House) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Kelham Island) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (King Street Leicester) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (King Street) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Kingsmead) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Lavington Street Accommodation Management) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Lavington Street Holdings) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Lavington Street) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Leasehold A) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Leasehold B) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Leasehold One) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Leasehold Two) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Lime Street Management) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Lime Street) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Londonderry) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Loughborough) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Magnet Court Leasehold) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Mansfield) GP1 Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Mansfield) GP2 Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Mansfield) GP3 Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Mansfield) GP4 Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Mansfield) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Mansfield) Limited Partnership | United Kingdom | Partner's capital | 100.0% |
| LDC (Mansfield) Management Limited Partnership | United Kingdom | Partner's capital | 100.0% |
| LDC (Mansfield) Unit Trust | Jersey | Units | 100.0% |
| LDC (Margaret Rule Freehold) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Margaret Rule Leasehold) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Marketgate) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Matthias) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Millennium View) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (MTF Portfolio) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Murano Place) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Nairn Street) GP 3 Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Nairn Street) GP 4 Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Nairn Street) Holdings Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Newarke) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Newgate) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Newington Court) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Old Hospital) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Oxford Road Bournemouth) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Park View) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Partition Street) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Phoenix House) Limited | United Kingdom | Ordinary shares | 100.0% |

## SECTION 7: COMPANY SUBSIDIARIES AND JOINT VENTURES CONTINUED

| | Country of incorporation | Class of Investment held | Ownership interest |
|---|---|---|---|
| LDC (Pitwines) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Portfolio 100) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Portfolio 20) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Portfolio Five Nominee) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Portfolio Five) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Portfolio Four) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Portfolio One Finance) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Portfolio One) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Portfolio Ten) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Portfolio Three) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Portfolio) Limited (Formerly LDC (Trenchard Street) Limited) | United Kingdom | Ordinary shares | 100.0% |
| LDC (Project 110) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Project 111) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Radmarsh Road) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Redmans Road) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Roy Castle) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Shrubhill House) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Silver Lane) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Slade Park) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Smithfield) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (St Leonards) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (St Pancras Way) GP1 Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (St Pancras Way) GP2 Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (St Pancras Way) GP3 Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (St Pancras Way) GP4 Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (St Pancras Way) Holdings Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (St Pancras Way) Limited Partnership | United Kingdom | Partner's capital | 100.0% |
| LDC (St Pancras Way) Management Limited Partnership | United Kingdom | Partner's capital | 100.0% |
| LDC (St Pancras Way) Unit Trust | Jersey | Units | 100.0% |
| LDC (St Teresa II) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (St Teresa) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Stapleton House) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Stockwell) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Swindon NHS) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Tara House) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (The Holt) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (The Zone Leeds) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Thurso Street) GP1 Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Thurso Street) GP2 Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Thurso Street) GP3 Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Thurso Street) GP4 Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Thurso Street) Limited Partnership | United Kingdom | Partner's capital | 100.0% |
| LDC (Thurso Street) Management Limited Partnership | United Kingdom | Partner's capital | 100.0% |
| LDC (Thurso Street) Unit Trust | Jersey | Units | 100.0% |
| LDC (Trafalgar) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Transom) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (UNITE MMXII) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Ventura) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Vernon Square) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Wembley) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (William Morris II) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (William Morris) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Young Street) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC Capital Cities Two (GP) Limited | United Kingdom | Ordinary shares | 100.0% |
| Leadmill Road GP Limited | United Kingdom | Ordinary shares | 100.0% |
| Leadmill Road Student Accommodation Limited Partnership | United Kingdom | Partner's capital | 100.0% |
| Leadmill Road Student Accommodation Unit Trust | Isle of Man | Units | 100.0% |
| Lennon Studios GP Limited | United Kingdom | Ordinary shares | 100.0% |
| Lennon Studios Student Accommodation Limited Partnership | United Kingdom | Partner's capital | 100.0% |
| Lennon Studios Student Accommodation Unit Trust | Isle of Man | Units | 100.0% |
| Livocity 1 Limited | United Kingdom | Ordinary shares | 100.0% |

## SECTION 7: COMPANY SUBSIDIARIES AND JOINT VENTURES CONTINUED

| | Country of incorporation | Class of Investment held | Ownership interest |
|---|---|---|---|
| Livocity 3 Limited | United Kingdom | Ordinary shares | 100.0% |
| LSAV (Angel Lane) GP3 Limited | United Kingdom | Ordinary shares | 100.0% |
| LSAV (Angel Lane) GP4 Limited | United Kingdom | Ordinary shares | 100.0% |
| LSAV (Jersey Manager) Limited | Jersey | Ordinary shares | 100.0% |
| LSAV (Stratford) GP3 Limited | United Kingdom | Ordinary shares | 100.0% |
| LSAV (Stratford) GP4 Limited | United Kingdom | Ordinary shares | 100.0% |
| LSAV (Wembley) GP3 Limited | United Kingdom | Ordinary shares | 100.0% |
| LSAV (Wembley) GP4 Limited | United Kingdom | Ordinary shares | 100.0% |
| LSAV Rent Collection Limited | United Kingdom | Ordinary shares | 100.0% |
| LSAV(Stapleton) GP3 Limited | United Kingdom | Ordinary shares | 100.0% |
| LSAV(Stapleton) GP4 Limited | United Kingdom | Ordinary shares | 100.0% |
| Railyard GP Limited | United Kingdom | Ordinary shares | 100.0% |
| Railyard Student Accommodation Limited Partnership | United Kingdom | Partner's capital | 100.0% |
| Rosapenna Investment Properties Limited | United Kingdom | Ordinary shares | 100.0% |
| Stardesert Limited | United Kingdom | Ordinary shares | 100.0% |
| The Railyard Student Accommodation Unit Trust | Isle of Man | Units | 100.0% |
| The UNITE Foundation | United Kingdom | N/A | 100.0% |
| Unilodge (Oxney 2) Limited | United Kingdom | Ordinary shares | 100.0% |
| Unilodge (Oxney) Limited | United Kingdom | Ordinary shares | 100.0% |
| Unilodge Developments Caledonia Limited | United Kingdom | Ordinary shares | 100.0% |
| Unilodge Holding Limited* | Guernsey | Ordinary shares | 100.0% |
| Unilodge Holdings (UK) Limited | United Kingdom | Ordinary shares | 100.0% |
| Unilodge Services Limited | United Kingdom | Ordinary shares | 100.0% |
| Unite (Capital Cities) Jersey Limited | Jersey | Ordinary shares | 100.0% |
| UNITE 301 Holloway (GP1) Management Limited | United Kingdom | Ordinary shares | 100.0% |
| UNITE 301 Holloway (GP2) Management Limited | United Kingdom | Ordinary shares | 100.0% |
| Unite Accommodation Management 111 Limited | United Kingdom | Ordinary shares | 100.0% |
| Unite Accommodation Management 16 Limited | United Kingdom | Ordinary shares | 100.0% |
| Unite Accommodation Management 17 Limited | United Kingdom | Ordinary shares | 100.0% |
| Unite Accommodation Management 18 Limited | United Kingdom | Ordinary shares | 100.0% |
| Unite Accommodation Management 19 Limited | United Kingdom | Ordinary shares | 100.0% |
| Unite Accommodation Management 2 Limited | United Kingdom | Ordinary shares | 100.0% |
| Unite Accommodation Management 20 Limited | United Kingdom | Ordinary shares | 100.0% |
| Unite Accommodation Management 4 Limited | United Kingdom | Ordinary shares | 100.0% |
| Unite Accommodation Management 5 Limited | United Kingdom | Ordinary shares | 100.0% |
| Unite Accommodation Management 6 Limited | United Kingdom | Ordinary shares | 100.0% |
| Unite Accommodation Management 7 Limited | United Kingdom | Ordinary shares | 100.0% |
| Unite Accommodation Management 8 Limited | United Kingdom | Ordinary shares | 100.0% |
| Unite Accommodation Management 9 Limited | United Kingdom | Ordinary shares | 100.0% |
| Unite Accommodation Management Limited (Formerly Unite Accommodation Management 10 Limited) | United Kingdom | Ordinary shares | 100.0% |
| Unite Accommodation Management One Hundred Limited | United Kingdom | Ordinary shares | 100.0% |
| UNITE Capital Cities Holdings Limited | United Kingdom | Ordinary shares | 100.0% |
| UNITE Construction (Angel Lane) Limited | United Kingdom | Ordinary shares | 100.0% |
| UNITE Construction (Stapleton) Limited | United Kingdom | Ordinary shares | 100.0% |
| UNITE Construction (Wembley) Limited | United Kingdom | Ordinary shares | 100.0% |
| Unite Facilities Management Limited | United Kingdom | Ordinary shares | 100.0% |
| Unite Finance Limited* | United Kingdom | Ordinary shares | 100.0% |
| UNITE Finance One (Accommodation Services) Limited | United Kingdom | Ordinary shares | 100.0% |
| Unite Finance One (Holdings) Limited | United Kingdom | Ordinary shares | 100.0% |
| UNITE Finance One (Property) Limited | United Kingdom | Ordinary shares | 100.0% |
| Unite Finance One plc | United Kingdom | Ordinary shares | 100.0% |
| Unite Finishes Limited | United Kingdom | Ordinary shares | 100.0% |
| UNITE FM Limited | United Kingdom | Ordinary shares | 100.0% |
| UNITE For Success Limited | United Kingdom | Ordinary shares | 100.0% |
| Unite Holdings Ltd* | United Kingdom | Ordinary shares | 100.0% |
| UNITE Home For Success Limited | United Kingdom | Ordinary shares | 100.0% |
| UNITE Homes Limited | United Kingdom | Ordinary shares | 100.0% |
| Unite Integrated Solutions plc | United Kingdom | Ordinary shares | 100.0% |
| UNITE Jersey Issuer Limited* | Jersey | Ordinary shares | 100.0% |
| UNITE JLH (GP1) Management Limited | United Kingdom | Ordinary shares | 100.0% |
| UNITE JLH (GP2) Management Limited | United Kingdom | Ordinary shares | 100.0% |

## SECTION 7: COMPANY SUBSIDIARIES AND JOINT VENTURES CONTINUED

| | Country of incorporation | Class of Investment held | Ownership interest |
|---|---|---|---|
| UNITE Living Limited | United Kingdom | Ordinary shares | 100.0% |
| Unite London (A1) Limited | United Kingdom | Ordinary shares | 100.0% |
| Unite London (Goodwood) Limited | United Kingdom | Ordinary shares | 100.0% |
| Unite London (Two) Limited | United Kingdom | Ordinary shares | 100.0% |
| Unite London Management Limited | United Kingdom | Ordinary shares | 100.0% |
| Unite Modular Solutions Limited | United Kingdom | Ordinary shares | 100.0% |
| Unite London Limited | United Kingdom | Ordinary shares | 100.0% |
| Unite Rent Collection Limited | United Kingdom | Ordinary shares | 100.0% |
| UNITE Student Communities Limited | United Kingdom | Ordinary shares | 100.0% |
| UNITE Student Homes Limited | United Kingdom | Ordinary shares | 100.0% |
| UNITE Student Living Limited | United Kingdom | Ordinary shares | 100.0% |
| UNITE Students Limited | United Kingdom | Ordinary shares | 100.0% |
| USAF GP No 11 Management Limited | United Kingdom | Ordinary shares | 100.0% |
| USAF GP No 7 Limited | United Kingdom | Ordinary shares | 100.0% |
| USAF Jersey Investments Limited | Jersey | Ordinary shares | 100.0% |
| USAF Jersey Manager Limited | Jersey | Ordinary shares | 100.0% |
| USAF LP Limited | United Kingdom | Ordinary shares | 100.0% |
| USAF Management GP No 14 Limited | United Kingdom | Ordinary shares | 100.0% |
| USAF Management GP No.15 Limited | United Kingdom | Ordinary shares | 100.0% |
| USAF Management GP No.16 Limited | United Kingdom | Ordinary shares | 100.0% |
| USAF Management GP No.17 Limited | United Kingdom | Ordinary shares | 100.0% |
| USAF Nominee No 7 Limited | United Kingdom | Ordinary shares | 100.0% |
| USAF Nominee No 7A Limited | United Kingdom | Ordinary shares | 100.0% |
| Wilmot Street Limited | Jersey | Ordinary shares | 100.0% |
| Zenith (Two) Limited | United Kingdom | Ordinary shares | 100.0% |
| LDC (Ferry Lane 2) GP 1 Limited | United Kingdom | Ordinary shares | 50.0% |
| LDC (Ferry Lane 2) GP 2 Limited | United Kingdom | Ordinary shares | 50.0% |
| LDC (Ferry Lane 2) Limited Partnership | United Kingdom | Partner's capital | 50.0% |
| LDC (Ferry Lane 2) Management Limited Partnership | United Kingdom | Partner's capital | 50.0% |
| LDC (Ferry Lane 2) Unit Trust | Jersey | Units | 50.0% |
| LDC (Stratford) GP1 Limited | United Kingdom | Ordinary shares | 50.0% |
| LDC (Stratford) GP2 Limited | United Kingdom | Ordinary shares | 50.0% |
| LDC (Stratford) Holdings Limited | United Kingdom | Ordinary shares | 50.0% |
| LDC (Stratford) Limited Partnership | United Kingdom | Partner's capital | 50.0% |
| LDC (Stratford) Unit Trust | Jersey | Units | 50.0% |
| LSAV (Angel Lane) GP1 Limited | United Kingdom | Ordinary shares | 50.0% |
| LSAV (Angel Lane) GP2 Limited | United Kingdom | Ordinary shares | 50.0% |
| LSAV (Angel Lane) Limited Partnership | United Kingdom | Partner's capital | 50.0% |
| LSAV (Angel Lane) Management Limited Partnership | United Kingdom | Partner's capital | 50.0% |
| LSAV (GP) Limited | United Kingdom | Ordinary shares | 50.0% |
| LSAV (Holdings) Limited | Jersey | Ordinary shares | 50.0% |
| LSAV (Property Holdings) LP | United Kingdom | Partner's capital | 50.0% |
| LSAV (Stapleton) Limited Partnership | United Kingdom | Partner's capital | 50.0% |
| LSAV (Stapleton) Management Limited Partnership | United Kingdom | Partner's capital | 50.0% |
| LSAV (Stratford) Management Limited Partnership | United Kingdom | Partner's capital | 50.0% |
| LSAV (Trustee) Limited | Jersey | Ordinary shares | 50.0% |
| LSAV (Wembley) GP1 Limited | United Kingdom | Ordinary shares | 50.0% |
| LSAV (Wembley) GP2 Limited | United Kingdom | Ordinary shares | 50.0% |
| LSAV (Wembley) Limited Partnership | United Kingdom | Partner's capital | 50.0% |
| LSAV (Wembley) Management Limited Partnership | United Kingdom | Partner's capital | 50.0% |
| LSAV Unit Trust | Jersey | Units | 50.0% |
| LSAV(Stapleton) GP1 Limited | United Kingdom | Ordinary shares | 50.0% |
| LSAV(Stapleton) GP2 Limited | United Kingdom | Ordinary shares | 50.0% |
| Unite Capital Cities Limited Partnership | United Kingdom | Partner's capital | 50.0% |
| Unite Capital Cities Two Limited Partnership | United Kingdom | Partner's capital | 50.0% |
| UNITE Capital Cities Unit Trust | Jersey | Units | 50.0% |
| USAF Feeder Guernsey Limited | Guernsey | Ordinary shares | 45.2% |
| USAF No 15 Limited Partnership | United Kingdom | Partner's capital | 21.6% |
| USAF 15F Unit Trust | Guernsey | Units | 21.6% |
| USAF Management No. 15 Limited Partnership | United Kingdom | Partner's capital | 21.6% |
| USAF Management No. 16 Limited Partnership | United Kingdom | Partner's capital | 21.6% |

## SECTION 7: COMPANY SUBSIDIARIES AND JOINT VENTURES CONTINUED

| | Country of incorporation | Class of Investment held | Ownership interest |
|---|---|---|---|
| USAF Management No. 17 Limited Partnership | United Kingdom | Partner's capital | 21.6% |
| USAF Portfolio 15 Unit Trust | Guernsey | Units | 21.6% |
| USAF Portfolio 16 Unit Trust | Guernsey | Units | 21.6% |
| USAF Portfolio 17 Unit Trust | Guernsey | Units | 21.6% |
| USAF Management 14 Limited | United Kingdom | Ordinary shares | 21.3% |
| USAF Management 6 Limited | United Kingdom | Ordinary shares | 21.3% |
| USAF No 14 Limited Partnership | United Kingdom | Partner's capital | 21.3% |
| USAF No 6 Limited Partnership | United Kingdom | Partner's capital | 21.3% |
| USAF Management 11 Limited | United Kingdom | Ordinary shares | 21.3% |
| USAF No 10 Limited Partnership | United Kingdom | Partner's capital | 21.3% |
| USAF Management 10 Limited | United Kingdom | Ordinary shares | 21.3% |
| USAF No 11 Limited Partnership | United Kingdom | Partner's capital | 21.3% |
| USAF No 11 Management Limited Partnership | United Kingdom | Partner's capital | 21.3% |
| USAF Management 8 Limited | United Kingdom | Ordinary shares | 21.3% |
| USAF No 8 Limited Partnership | United Kingdom | Partner's capital | 21.3% |
| USAF Management Limited | United Kingdom | Ordinary shares | 21.3% |
| USAF No 1 Limited Partnership | United Kingdom | Partner's capital | 21.3% |
| Forster Hall Limited Partnership | United Kingdom | Partner's capital | 21.3% |
| Student Hall Nominees Limited | United Kingdom | Ordinary shares | 21.3% |
| Student Halls Long Lease 1 Unit Trust | Jersey | Units | 21.3% |
| USAF Management no 14 LP | United Kingdom | Partner's capital | 21.3% |
| USAF Portfolio 14 Unit Trust | Jersey | Units | 21.3% |
| Filbert Street Student Accommodation Unit Trust | Isle of Man | Units | 21.3% |
| USAF Management 12 Limited | United Kingdom | Ordinary shares | 21.3% |
| USAF No 12 Limited Partnership | United Kingdom | Partner's capital | 21.3% |
| Filbert Village Student Accommodation Limited Partnership | United Kingdom | Partner's capital | 21.3% |
| LDC (Nairn Street) Limited Partnership | United Kingdom | Partner's capital | 21.2% |
| LDC (Nairn Street) Management Limited Partnership | United Kingdom | Partner's capital | 21.2% |
| LDC (Nairn Street) Unit Trust | Jersey | Units | 21.2% |
| Filbert Village GP Limited | United Kingdom | Ordinary shares | 12.6% |
| Forster Hall GP Limited | United Kingdom | Ordinary shares | 12.6% |
| LDC (Nairn Street) GP 1 Limited | United Kingdom | Ordinary shares | 12.6% |
| LDC (Nairn Street) GP 2 Limited | United Kingdom | Ordinary shares | 12.6% |
| Unite UK Student Accommodation Fund | Jersey | Units | 12.6% |
| USAF Finance II Limited | United Kingdom | Ordinary shares | 12.6% |
| USAF Finance Limited | United Kingdom | Ordinary shares | 12.6% |
| USAF GP No 1 Limited | United Kingdom | Ordinary shares | 12.6% |
| USAF GP No 10 Limited | United Kingdom | Ordinary shares | 12.6% |
| USAF GP No 11 Limited | United Kingdom | Ordinary shares | 12.6% |
| USAF GP No 12 Limited | United Kingdom | Ordinary shares | 12.6% |
| USAF GP No 14 Limited | United Kingdom | Ordinary shares | 12.6% |
| USAF GP No 4 Limited | United Kingdom | Ordinary shares | 12.6% |
| USAF GP No 5 Limited | United Kingdom | Ordinary shares | 12.6% |
| USAF GP No 6 Limited | United Kingdom | Ordinary shares | 12.6% |
| USAF GP No 8 Limited | United Kingdom | Ordinary shares | 12.6% |
| USAF GP No.15 Limited | United Kingdom | Ordinary shares | 12.6% |
| USAF Holdings B Limited | United Kingdom | Ordinary shares | 12.6% |
| USAF Holdings C Limited | United Kingdom | Ordinary shares | 12.6% |
| USAF Holdings E Limited | United Kingdom | Ordinary shares | 12.6% |
| USAF Holdings F Limited | United Kingdom | Ordinary shares | 12.6% |
| USAF Holdings G Limited | United Kingdom | Ordinary shares | 12.6% |
| USAF Holdings H Limited | United Kingdom | Ordinary shares | 12.6% |
| USAF Holdings I Limited | United Kingdom | Ordinary shares | 12.6% |
| USAF Holdings Limited | United Kingdom | Ordinary shares | 12.6% |
| USAF Nominee No 1 Limited | United Kingdom | Ordinary shares | 12.6% |
| USAF Nominee No 10 Limited | United Kingdom | Ordinary shares | 12.6% |
| USAF Nominee No 10A Limited | United Kingdom | Ordinary shares | 12.6% |
| USAF Nominee No 11 Limited | United Kingdom | Ordinary shares | 12.6% |
| USAF Nominee No 11A Limited | United Kingdom | Ordinary shares | 12.6% |
| USAF Nominee No 12 Limited | United Kingdom | Ordinary shares | 12.6% |
| USAF Nominee No 12A Limited | United Kingdom | Ordinary shares | 12.6% |
| USAF Nominee No 14 Limited | United Kingdom | Ordinary shares | 12.6% |

## SECTION 7: COMPANY SUBSIDIARIES AND JOINT VENTURES CONTINUED

| | Country of incorporation | Class of Investment held | Ownership interest |
|---|---|---|---|
| USAF Nominee No 14A Limited | United Kingdom | Ordinary shares | 12.6% |
| USAF Nominee No 1A Limited | United Kingdom | Ordinary shares | 12.6% |
| USAF Nominee No 4 Limited | United Kingdom | Ordinary shares | 12.6% |
| USAF Nominee No 4A Limited | United Kingdom | Ordinary shares | 12.6% |
| USAF Nominee No 5 Limited | United Kingdom | Ordinary shares | 12.6% |
| USAF Nominee No 5A Limited | United Kingdom | Ordinary shares | 12.6% |
| USAF Nominee No 6 Limited | United Kingdom | Ordinary shares | 12.6% |
| USAF Nominee No 6A Limited | United Kingdom | Ordinary shares | 12.6% |
| USAF Nominee No 8 Limited | United Kingdom | Ordinary shares | 12.6% |
| USAF Nominee No 8A Limited | United Kingdom | Ordinary shares | 12.6% |
| USAF RCC Limited | United Kingdom | Ordinary shares | 12.6% |

* Held directly by the company.

All subsidiary entities above are included in the consolidation.

# FINANCIAL RECORD



| | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| EPRA NAV per share (pence) | 579 | 434 | 382 | 350 | 318 |
| IFRS NAV per share (pence) | 574 | 416 | 370 | 321 | 242 |
| EPRA net assets (£m) | 1,394 | 881 | 682 | 567 | 515 |
| IFRS net assets (£m) | 1,275 | 843 | 653 | 516 | 388 |
| Managed portfolio value (£m) | 3,827 | 2,951 | 2,736 | 2,688 | 2,502 |
| LTV adjusted see-through (%) | 35% | 43% | 49% | 52% | 54% |
| Net portfolio contribution (£m) | 47 | 39 | 26 | 19 | 11 |
| EPRA earnings (£m) | 50 | 33 | 23 | 16 | (17) |
| Profit / (loss) before tax (£m) | 388 | 108 | 77 | 126 | 5 |
| EPRA Earnings per share (pence) | 29 | 17 | 18 | 10 | (11) |
| Adjusted EPRA Earnings per share (pence) | 23 | 17 | 14 | 10 | 3 |
| IFRS earnings per share (pence) | 164 | 53 | 46 | 78 | 1 |

# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of The UNITE Group plc (the Company) will be held at The Core, 40 St Thomas Street, Bristol BS1 6JX at 9.30 a.m. on 12 May 2016 for the purpose of considering and, if thought fit, passing Resolutions 1 to 19 (inclusive) as ordinary resolutions and Resolutions 20 and 21 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 2015 together with the Directors' report, the strategic report and the auditors' report on those annual accounts (the Annual Report and Accounts).

### Directors' Remuneration Policy

2. To approve the Directors' Remuneration Policy set out on pages 72 to 79 (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 2015 set out on pages 70 to 71 (inclusive) and pages 80 to 89 (inclusive) respectively in the Annual Report and Accounts.

### Final dividend

4. To declare a final dividend for the year ended 31 December 2015 of 9.5p per ordinary share payable on 20 May 2016 to shareholders on the register of members of the Company at the close of business on 22 April 2016.

### Re-election of Directors (Resolutions 5 to 13)

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

### Election of Director

14. To elect Mr Patrick Dempsey as a Director of the Company.

### Auditors (Resolutions 15 and 16)

15. To appoint Deloitte 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.
16. To authorise the Directors to determine the remuneration of the auditors.

### Amendments to The Unite Group plc 2011 Performance Share Plan

17. THAT the amendments to the Rules of the Unite Group plc 2011 Performance Share Plan summarised in the explanatory notes relating to the business of the AGM on page 91 of the Annual Report and Accounts, and in the form produced at the AGM and initialled by the Chairman of the AGM for the purposes of identification, be and are hereby approved.

### Amendments to The Unite Group plc 2011 Approved Employee Share Option Scheme

18. THAT the amendments to the Rules of the Unite Group plc 2011 Approved Employee Share Option Scheme summarised in the explanatory notes relating to the business of the AGM on page 91 of the Annual Report and Accounts, and in the form produced at the AGM and initialled by the Chairman of the AGM for the purposes of identification, be and are hereby approved.

### Authority to allot shares

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

    (a) To exercise all powers of the Company to allot shares in the Company, and grant rights to subscribe for or to convert any security into shares of the Company (such shares, and rights to subscribe for or to convert any security into shares of the Company being "relevant securities"), up to an aggregate nominal amount of £18,495,071 (representing approximately one third of the nominal value of the issued ordinary share capital of the Company as at 23 February 2016), (such amount to be reduced by the nominal amount of any allotments or grants made under paragraph (b) below in excess of £18,495,071);

    (b) To allot equity securities (as defined in Section 560(1) of the Act) up to an aggregate nominal amount of £36,990,142 (representing approximately two third of the nominal value of the issued ordinary share capital of the Company as at 23 February 2016) (such amount to be reduced by the nominal amount of any allotments or grants made under paragraph (a) above) in connection with an offer by way of rights issue:

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

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

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

## SPECIAL RESOLUTIONS

### Authority to disapply pre-emption rights

20. THAT, in accordance with Section 570(1) of the Act, the Directors be and are empowered to allot equity securities (as defined in Section 560 of the Act) of the Company wholly for cash pursuant to the general authority under Section 551 of the Act conferred on them by Resolution 19 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 £2,774,261(representing approximately 5% of the nominal value of the issued ordinary share capital of the Company as at 23 February 2016); and

    (c) to the allotment (other than (a) above and in addition to (b) above) of equity securities having a nominal value not exceeding in aggregate £2,774,261 (representing approximately 5% of the nominal value of the issued ordinary share capital of the Company as at 23 February 2016) in connection with an acquisition or specified capital investment which is announced contemporaneously with the allotment, or which has taken place in the preceding six month period and is disclosed in the announcement of the allotment,

    and, unless previously revoked, varied or extended, this authority shall expire on the date falling 15 months from the passing of this Resolution, or, if earlier, at the conclusion of the next Annual General Meeting of the Company to be held following the passing of this Resolution, save that the Company may, at any time before this authority expires, make an offer or agreement which would or might require equity securities to be allotted after it expires and the Directors may allot equity securities in pursuance of such offer or agreement as if this authority had not expired and provided further that this authority shall supersede and revoke all previous authorities under Section 570(1) of the Act.

# NOTICE OF ANNUAL GENERAL MEETING CONTINUED

**Notice of General Meetings**

21. 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**
23 February 2016

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 9.30 a.m. In order to gain admittance to the meeting, members may be required to produce their attendance card, which is attached to the form of proxy enclosed with this document, or otherwise prove their identity.

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

3. To be valid, any form of proxy, and the original or duly certified copy of the power of attorney or other authority (if any) under which it is signed or authenticated, must be received by hand or by post at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY, no later than 9.30 a.m. on 10 May 2016.

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 9.30 a.m. on 10 May 2016. 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.

# NOTICE OF ANNUAL GENERAL MEETING CONTINUED

11. Any person to whom this notice has been sent who is a person nominated under section 146 of the Act to enjoy information rights (a Nominated Person) may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
12. The statement of the rights of shareholders in relation to the appointment of proxies above does not apply to Nominated Persons. These rights can only be exercised by shareholders of the Company.
13. Pursuant to Part 13 of the Companies Act 2006 and Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), the Company specifies that only those shareholders registered in the register of members of the Company at 5.00 p.m. on 10 May 2016 (or, if the meeting is adjourned, 48 hours before the timed fixed for the adjourned meeting) shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. In each case, changes to the register of members of the Company after such time shall be disregarded in determining the rights of any person to attend or vote at the meeting.
14. As at 23 February 2016 (being the last practicable business day prior to the publication of this Notice), the Company's issued share capital comprised 221,940,849 ordinary shares carrying one vote each at a general meeting of the Company. No ordinary shares were held in treasury and therefore the total voting rights in the Company as at 23 February 2016 are 221,940,849.
15. You may not use any electronic address provided either in this notice of meeting or any related documents (including the proxy form) to communicate with the Company for any purposes other than those expressly stated.
16. Members attending the meeting have the right to ask and, subject to the provisions of the Act, the Company must cause to be answered, any questions relating to the business being dealt with at the meeting.
17. The following information is available at www.unite-group.co.uk (1) the matters set out in this notice of annual general meeting; (2) the total numbers of shares in the Company in respect of which members are entitled to exercise voting rights at the meeting; (3) the totals of the voting rights that members are entitled to exercise at the meeting; and (4) members' statements, members' resolutions and members' matters of business received by the Company after the date on which notice of the meeting was given.
18. It is possible that, pursuant to requests made by members of the Company under Section 527 of the Act, the Company may be required to publish on a website a statement setting out any matter relating to: (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting; or (b) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Act. The Company may not require the members requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under Section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under Section 527 of the Act to publish on a website.
19. In accordance with Section 338 of the Act, a member or members of the Company may (provided that the criteria set out in Section 338(3) of the Act are met) require the Company to give to members notice of a resolution which may properly be moved and is intended to be moved at the meeting, provided that: (a) the resolution must not be, if passed, ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise); and (b) the resolution must not be defamatory of any person, frivolous or vexatious. Such a request may be in hard copy form or in electronic form, must be authenticated by the person or persons making it, must identify the resolution of which notice is to be given and must be received by the Company not later than six weeks before the meeting, or, if later, the time at which notice is given of the meeting. (In the foregoing sentence, the terms 'hard copy form', 'electronic form' and 'authenticated' bear their respective meanings set out in the Act in relation to a communication, or a document or information sent or supplied, to a company.)

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

21. A member that is a company or other organisation not having a physical presence cannot attend in person but can appoint someone to represent it. This can be done in one of two ways: either by the appointment of a proxy (as described in the notes above) or of a corporate representative. Members considering the appointment of a corporate representative should check their own legal position, the Company's articles of association and the relevant provisions of the Act.

22. The following documents are available for inspection at the registered office of the Company during the usual business hours on any weekday (Saturday, Sunday or public holidays excluded) from the date of this notice until the conclusion of the meeting and will also be available for inspection at the place of the meeting from 9.15 a.m. on the day of the meeting until its conclusion:

    (a) copies of the executive directors' service contracts with the Company and any of its subsidiary undertakings; and

    (b) letters of appointment of the non-executive directors.

23. A copy of the amendments to the Unite Group plc 2011 Performance Share Plan and the Unite Group plc 2011 Approved Employee Share Option Scheme are available for inspection during normal business hours (Saturdays, Sundays and public holidays excepted) at the Registered Office of the Company and at the offices of Herbert Smith Freehills LLP, Exchange House, Primrose Street, London EC2A 2EG, and shall be available for inspection on the morning of the AGM at the meeting venue from 9.15 a.m. until its conclusion.

# GLOSSARY

## ADJUSTED EPRA EARNINGS
Adjusted EPRA earnings are prepared on the basis of EPRA earnings excluding the yield related element of the USAF Performance Fee.

## ADJUSTED EPRA EARNINGS PER SHARE
The diluted earnings per share based on Adjusted EPRA earnings.

## ADJUSTED NET DEBT
The Group's debt, net of cash and unamortised debt raising costs, excluding the mark to market of interest rates swaps.

## ADJUSTED NET DEBT TO PROPERTY ASSETS
The adjusted net debt as a percentage of the value of Unite properties.

## BASIS POINTS (BPS)
A basis point is a term used to describe a small percentage, usually in the context of change, and equates to 0.01%.

## DIRECT LET
Properties where short-hold tenancy agreements are made directly between Unite and the student.

## EPRA EARNINGS
EPRA earnings are prepared on the basis recommended for real estate companies by EPRA, the European Public Real Estate Association. This excludes movements relating to changes in values of investment properties and interest rate swaps and the related tax effects.

## EPRA EARNINGS PER SHARE
The diluted earnings per share based on EPRA earnings.

## EPRA NAV
EPRA NAV is prepared on the basis recommended for real estate companies by EPRA, the European Public Real Estate Association. This includes all property at market value but excludes the mark to market of interest rate swaps. This is recommended by EPRA as a measure of net assets.

## EPRA NET ASSET VALUE PER SHARE
The diluted NAV per share figure based on EPRA NAV.

## EPRA NNNAV
As EPRA NAV but includes both debt and interest rate swaps carried at market value. This is recommended by EPRA as a 'spot' fair value net asset measure.

## FINANCING COSTS
Gross financing costs net of interest capitalised into developments and interest received on deposits.

## GROSS FINANCING COSTS
This includes all interest paid by the Group, including those capitalised into developments and operating lease rentals.

It includes all receipts and payments under interest rate swaps whether they are effective or ineffective under IFRS as economically they all hedge interest rate exposures.

## INTEREST COVER RATIO (ICR)
The interest cover ratio is the income generated by a property as a multiple of the interest charge on the debt secured on the property.

## LEASE
Properties which are leased to Universities for a number of years and have no Unite management presence.

## LSAV
The London Student Accommodation Joint Venture (LSAV) is a joint venture between Unite and GIC, alongside UCC. Both Unite and GIC have a 50% stake and LSAV has the same maturity date as UCC (September 2022). It is the primary vehicle through which Unite undertakes development activity in London and it has right of first refusal over Unite's London development pipeline projects until such time as its capital investment targets are met. LSAV and UCC were merged during 2012 and the new combined entity is referred to as LSAV.

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

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

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

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

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

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

## 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.

## TOTAL INCOME FROM MANAGED PORTFOLIO

This measure indicates the overall scale of the property portfolio that the Group manages. It comprises rental and related income, totalling £254.6 million from properties owned by Unite and its co-investment vehicles.

The Group's share of this gross income is shown in note 2.2(a).

## UCC

Unite Capital Cities (UCC) was established in 2005 as a joint venture between Unite and GIC Real Estate. It is a closed-ended vehicle due to mature in 2022 and was established by Unite to develop and operate student accommodation in London and Edinburgh. UCC equity is now fully invested and all development projects have been completed. LSAV and UCC were merged during 2014 and the combined entity is referred to as LSAV.

## USAF/THE FUND

The Unite UK Student Accommodation Fund (USAF) is Europe's largest fund that purely focuses on completed income providing student accommodation investment assets. The fund is an open-ended infinite life vehicle which has unique buying access to Unite's development pipeline. Unite acts as fund manager for the fund, as well as owning a significant minority stake.

# COMPANY INFORMATION

## UNITE GROUP EXECUTIVE TEAM

**Mark Allan**
Chief Executive Officer

**Joe Lister**
Chief Financial Officer

**Richard Simpson**
Managing Director of Property

**Richard Smith**
Managing Director of Operations

## REGISTERED OFFICE

The Core
40 St Thomas Street
Bristol BS1 6JX

## REGISTERED NUMBER IN ENGLAND

3199160

**Company Secretary**
Christopher Szpojnarowicz

## AUDITOR

**DELOITTE LLP**
2 New Street Square
London EC4 3BZ

## FINANCIAL ADVISERS

**J.P. Morgan Cazenove**
25 Bank Street
London E14 5JP

**Numis Securities**
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT

## REGISTRARS

**Computershare Investor Services PLC**
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH

## FINANCIAL PR CONSULTANTS

**Bell Pottinger**
Holborn Gate
26 Southampton Buildings
London WC2A 1PB

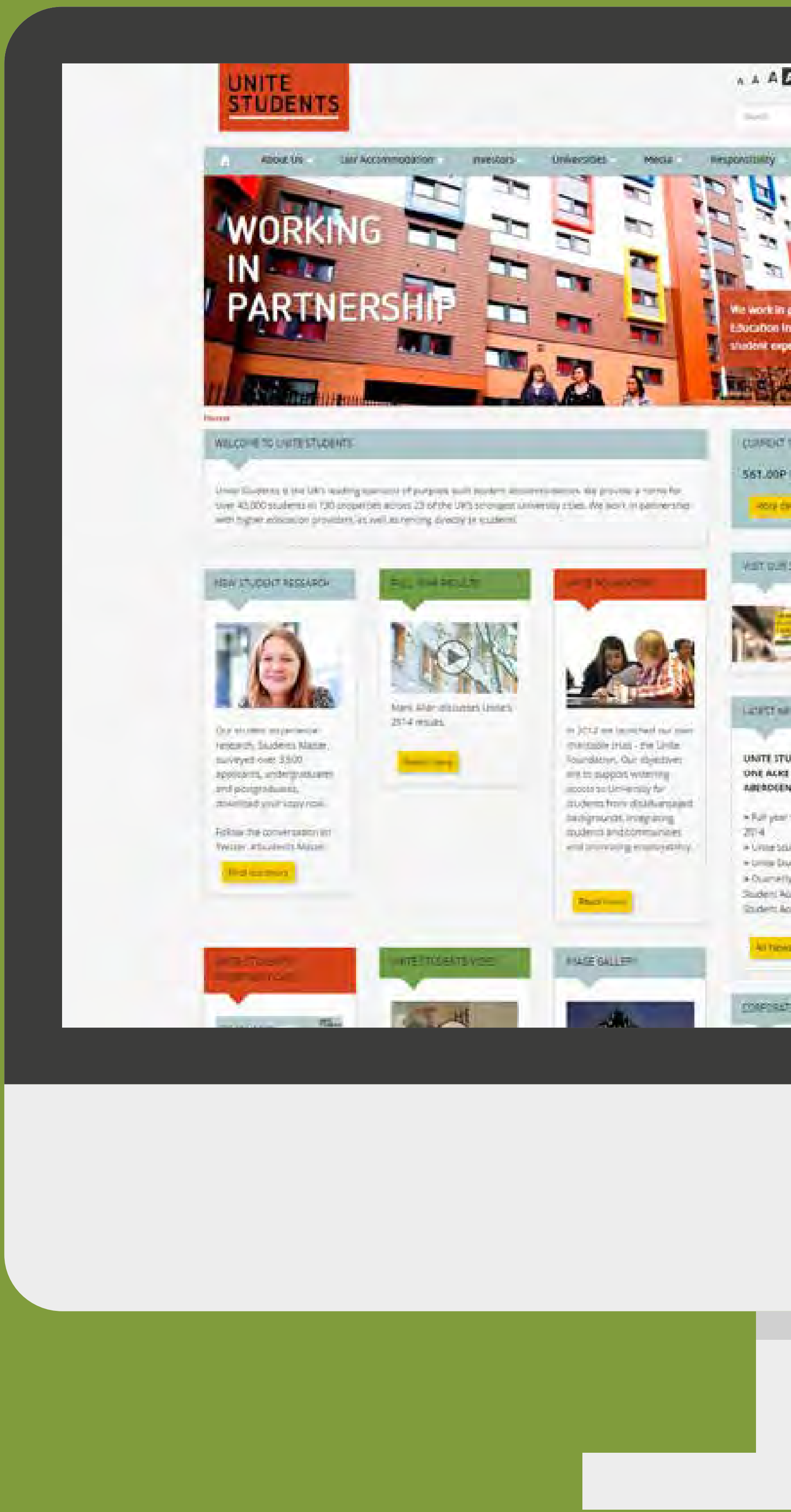
# NOTES

# NOTES

# WHERE TO FIND OUT MORE

THIS REPORT IS COMPLEMENTED BY A RANGE OF ONLINE INFORMATION ABOUT OUR BUSINESS INCLUDING OUR OPERATIONS AND PROPERTY DIVISIONS, OUR MARKETS, AND CORPORATE RESPONSIBILITY AND SUSTAINABILITY.

WWW.UNITE-GROUP.CO.UK




Consultancy, design and production
**www.luminous.co.uk**

**The Unite Group plc**
The Core
40 St Thomas Street
Bristol BS1 6JX
+44 (0) 117 302 7000
info@unite-students.com

www.unite-group.co.uk
www.unite-students.com