Press Release

6 March 2014

THE UNITE GROUP PLC

("UNITE" / "Group" / "Company")

FULL YEAR RESULTS FOR THE YEAR TO 31 DECEMBER 2013

HIGHLIGHTS

Continued strong performance built around high levels of service

- EPRA earnings per share ("EPS") of 18.0 pence (2012: 9.9 pence);
- Adjusted EPS (pre UCC performance fee) of 13.6 pence (2012: 9.9 pence), representing a yield on opening adjusted NAV of 3.9% (2012: 3.1%). We continue to target a 4.5% yield by 2015;
- Adjusted NAV per share (fully diluted) up 9.1% to 382 pence (2012: 350 pence), equating to a total return on equity (NAV growth plus dividends) of 10.5% for the year;
- Net Portfolio Contribution up 34% to £25.6 million (2012: £19.1 million);
- Final dividend of 3.2 pence per share (2012: 3.0 pence), making 4.8 pence for the full year (2012: 4.0 pence), an increase of 20%;
- Service satisfaction levels again increased to highest ever levels.

Significant, fully funded, development programme secured, underpinning attractive growth prospects

- Three projects (comprising 1,555 beds) secured under contract in strong regional locations in line with target returns, accounting for approximately 70% of the proceeds of our June placing. In exclusive negotiations on a fourth project which will account for the remainder;
- LSAV pipeline 60% committed across three London projects comprising 2,350 beds;
- Secured development pipeline on track to add 39 pence per share to NAV and 13 pence to EPS by 2017 if expected returns achieved. A further project where the Group is in exclusive negotiations could add an additional 6 pence to NAV per share and 1 pence to EPS.

Positive market outlook supported by encouraging reservations performance

- Reservations for 2014/15 at 64% (2013: 62%) at pricing supportive of 3% rental growth for the full year;
- UCAS applications data shows an increase in University applications of 4% year on year;
- Government decision to remove the student number cap in 2015, and increase places by 30,000 (6%) in 2014, strengthens longer term prospects for the sector;
- Investor interest in sector broadening and deepening.

Capital structure strengthened

- Average cost of debt reduced to 4.7% (2012: 5.5%), weighted average loan maturity extended to 7.1 years (2012: 4.1 years). 75% of debt from non-bank sources (2012: 43%) and 27% unsecured (2012: 15%) following completion of £124 million loan in February 2014;
- Adjusted loan-to-value ratio reduced to 49% on a see-through basis (2012: 52%). We intend to reduce LTV towards 40% over time;
- Refinanced £565m of USAF debt in the public bond markets, decreasing its average cost of borrowing from 5.0% to 3.7%.

Mark Allan, Chief Executive of The UNITE Group said:

"Our full year results demonstrate the continued strong performance and growth of the business, with positive improvements in all key areas and our brand increasingly becoming a positive differentiator. Following an active year on the financing front we have established a strong capital base which has enabled us both to take advantage of the current low interest rate environment for the longer term and to secure capital to support exciting growth opportunities.

"Strong University applications and recent Government announcements intended to increase student enrolment in the coming years bode well for rental growth prospects and we have an excellent, fully funded development pipeline that is well positioned to provide further sustainable growth in the future."

CHAIRMAN'S STATEMENT

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

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

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

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

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

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

CHIEF EXECUTIVE'S REVIEW

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

- To grow recurring profit and cashflow through a combination of rental growth, new openings and cost savings, while building an increasingly strong brand;
- To enhance portfolio quality through a programme of highly selective developments, focusing on London and strong regional locations, together with the disposal of non-core assets; and

- To strengthen the Group's capital base.

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

Financial highlights

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

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

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

Total return on equity

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

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

** NAV growth plus interim and declared final dividend

Capital structure

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

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

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

Portfolio activity

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

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

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

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

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

Brand and operating platform

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

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

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

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

Outlook

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

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

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

OPERATIONS REVIEW

Sales, rental growth and profitability

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

Summary profit and loss account

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

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

The Group's NOI margin increased to 71.4% from 71.0% in December 2012 as we delivered further efficiencies and productivity improvements, while improving our service and the quality of our estate through targeted investment. Overheads reduced by 13% to £19.0 million as a result of the full year impact of efficiency savings flowing through and our key overhead efficiency measure (total operating expenses less management fees as a proportion of UNITE's share of investment asset value) has also benefitted from these efficiencies, having now fallen to 61 bps (December 2012: 92 bps), in line with our target of 60 bps. This will deteriorate marginally when we exit our OCB joint venture and increase our stake in UCC but we intend to maintain 60 bps as our ongoing target.

Finance costs (comprising interest and lease payments) fell to £47.0 million (2012: £48.5 million), reflecting the fall in the Group's average cost of debt as various refinancing events were completed while development pre-contract and other costs fell £0.7 million to £2.5 million. EPRA earnings includes a one-off receipt of £7.5 million performance fee from UCC following the completion of refinancing within the joint venture.

Occupancy and rental growth

Occupancy across UNITE's portfolio for the 2013/14 academic year stands at 98% and like-for-like rental growth of 3% was achieved on our stabilised portfolio. The number of students enrolling at UK Universities increased by 37,000 on 12/13 levels, recovering much of the previous year's drop and contributing to the overall strong occupancy and rent performance.

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

Investment in people, technology and relationships

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

People

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

Technology

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

University relationships

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

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

Student numbers

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

Operations outlook

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

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

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

PROPERTY REVIEW

NAV growth

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

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

- The growth in the value of the Group's share of investment assets (+16 pence), as a result of rental growth, some yield compression and asset specific write downs associated with the disposal of legacy NHS assets;
- The value added to the development portfolio (+14 pence);
- The impact of financing activity (-6 pence), related primarily to swap breakage costs, partially offset by the positive impact of our convertible bond issuance;
- The positive impact of retained profits after dividends (+14 pence);
- The impact of the £50 million equity issue in June (-6 pence).

Looking forward, our portfolio is well placed to deliver continued growth. Our focus on the strongest University locations supports rental growth prospects and we will continue to deliver meaningful upside from our development activity. We have three projects, comprising 1,555 beds and accounting for approximately 70% of the proceeds of our June share placing, secured under contract in strong regional locations and are in exclusive negotiations on a fourth. In addition, 60% of our target LSAV pipeline has also been secured across three London projects comprising 2,350 beds.

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

Property portfolio

The valuation of our property portfolio at 31 December 2013, including our share of gross assets held in USAF and joint ventures, was £1,370 million (31 December 2012: £1,245 million). The £125 million increase in portfolio value was attributable to £76 million of capital expenditure less disposals of £14 million and £63 million of valuation increases. The valuation of the stabilised investment portfolio increased by 3.0% on a like-for-like basis over the year, primarily as a result of rental growth.

Summary balance sheet

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

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

UNITE investment portfolio analysis at 31 December 2013

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

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

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

Student accommodation yields

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

Indicative yields

	2013		2012	
	Direct Let	University Guaranteed	Direct Let	University Guaranteed
London	6.0-6.25%	5.35-5.6%	6.0-6.25%	5.35-5.6%
Major provincial	6.25-6.75%	5.85-6.1%	6.5-7.0%	5.85-6.1%
Provincial	6.75-7.25%	6.35-6.6%	7.1-7.35%	6.35-6.6%

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

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

Our business model is focused on growing recurring cash flow, primarily through new development activity and leveraging our brand across our established, high quality investment portfolio to deliver sustainable rental growth. We have largely completed our non-core asset disposal programme (with £60 million of disposals completed/exchanged unconditionally since our 2012 results and a further £15 million conditionally exchanged) and put in place a fixed low cost, longer term debt structure against our high quality core assets, meaning that the level of future asset disposals will be lower than in recent years. At this stage in our business, therefore, investment yields are of less importance to business performance than the 'cash on cash' economics of development, cost control and rental growth.

Development activity

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

The returns from our development activity are very attractive with our secured London projects forecast to deliver an average yield on cost of 9.0% and strong regional projects delivering 9.5-10%. Our full secured pipeline is as follows:

Secured development pipeline (wholly owned)

		Secured beds	Total completed value	Total development costs	Capex in period	Capex remaining	Forecast NAV remaining	Forecast yield on cost
		No.	£m	£m	£m	£m	£m	%
London								
2014 completions								
Stratford City	London	1,001	102	64	33	12	4	11.2%
St Pancras Way	London	571	85	59	19	9	3	9.8%
Total London (wholly owned)		**1,572**	**187**	**123**	**52**	**21**	**7**	**10.5%**

Regional								
2014 completions								
Kingsmill Lane	Huddersfield	378	19	14	8	6	1	10.1%
2015 completions								
Trenchard Street	Bristol	481	35	26	2	24	4	9.9%
2016 completions								
Newgate Street[1]	Newcastle	606	42	31	0	31	11	9.6%
Causewayend[1]	Aberdeen	399	26	20	0	20	6	9.7%
St Leonards[1]	Edinburgh	550	50	38	0	38	12	9.5%
Total Regional (wholly owned)		**2,414**	**172**	**129**	**10**	**119**	**34**	**9.7%**
Total (wholly owned)		**3,986**	**359**	**252**	**62**	**140**	**41**	**10.1%**

1 Subject to obtaining planning consent

Secured development pipeline (LSAV)

		Secured beds	Total completed value	Total development costs	Capex in period	Capex remaining	Forecast NAV remaining	Forecast yield on cost
		No.	£m	£m	£m	£m	£m	%
LSAV								
2015 completions								
Angel Lane	London	759	84	54	18	36	19	9.3%
2016 completions								
Stapleton House[1]	London	901	117	94	1	92	24	8.8%
Wembley Park[1]	London	696	62	49	0	49	13	8.8%
Total LSAV		2,356	263	197	19	177	56	9.0%
UNITE Share of LSAV			**132**	**98**	**10**	**88**	**28**	**9.0%**
TOTAL UNITE SHARE			**491**	**350**	**72**	**228**	**69**	**9.8%**

1 Subject to obtaining planning consent

Wholly owned development

Our three 2014 completions are proceeding in line with budget and programme and are on track to be open and let for the 2014/15 academic year. Subject to achieving 90%

occupancy, our Stratford project will be sold to LSAV later in 2014 and this will release funds back to the Group for investment into further development activity. We intend to retain the other two projects on balance sheet.

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

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

LSAV development

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

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

Asset disposals

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

Total asset sales

	Proceeds £m	Book value £m
Completed / exchanged		
Wholly owned (WO)	19	20
UCC	34	33
USAF	7	7
Total	60	60
Conditionally exchanged		
Wholly owned	15	15
Total	**75**	**75**

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

FINANCIAL REVIEW

Income statement and profit measures

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

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

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

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

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

Tax

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

Cash flow and net debt

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

Dividend

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

Subject to approval at UNITE's Annual General Meeting on 15 May 2014, the recommended final dividend will be paid on 19 May 2014 to shareholders on the register at close of business on 16 April 2014.

Share placing

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

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

Debt financing

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

Key debt statistics (see through basis)[1]	**2013**	**2012**
Adjusted net debt	£666m	£648m
Adjusted LTV	49%	52%
Average debt maturity	7.1 years	4.1 years
Average cost of debt	4.7%	5.5%
Proportion of investment debt hedged	86%	88%
Proportion of unsecured debt	27%	15%

[1] Key debt statistics are shown on a proforma basis to include the impact of refinancing completed since the year end.

Debt maturity and LTV

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

Covenant headroom

We were in full compliance with all of our borrowing covenants at 31 December 2013. Our debt facilities include loan to value and interest cover covenants that are measured at both a Group and an individual portfolio level and we have maintained significant headroom against all measures. Covenant headroom will reduce as surplus capital is deployed into new development opportunities but we intend to maintain substantial headroom against all covenants.

Interest rate hedging arrangements and cost of debt

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

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

Funds and joint ventures

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

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

During the year, both USAF and UCC completed major refinancing of their debts. In USAF, £565 million of new debt was put in place through a secured bond programme. This resulted in a reduction in USAF's average cost of debt to 3.7% (2012: 5.0%) and increased debt maturity to 9 years (2012: 2 years). This new financing will result in increased profits available for distribution, with the income yield expected to increase to approximately 7% (2012: 5.5%). UCC arranged a £149 million facility with Legal & General and a £77 million facility with RBS resulting in a reduction in its average cost of debt to 4.0% by the year end (2012: 5.5%) and an increase in maturity to 7 years (2012: 1 year).

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

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

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

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

MARKET REVIEW

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

The market has seen a continued increase in both non-EU and EU students choosing to study in the UK. There are currently 106,000 students from other EU countries in the UK, an increase of 55% in the last ten years, and EU applications for 2014/15 were up 4.7% (as at January 2014). We expect EU demand to remain healthy for the foreseeable future.

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

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

Taking into account the above factors, longer term we expect demand for UK Higher Education to remain strong, both from domestic and international students. Stronger

Universities, where UNITE has concentrated its activities, are well placed to benefit from the greater level of market forces in the sector and we expect all strong University towns and cities to experience sustained growth.

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

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

New competitors have entered the sector over the past 2-3 years and others are likely to do so in due course. However these operators tend to lack scale, which we believe places them at a disadvantage. At the same time, a number of longer standing competitors face certain financial challenges which are likely to restrict their ability to grow and invest in their businesses for the long term. Against this backdrop, and with a positive market outlook, we believe it is vital that we invest carefully in enhancing our brand and service platform to create genuine, sustainable competitive advantage. This will then form the basis of continued positive performance in the longer term.

OUTLOOK

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

- Demand, as evidenced by applications, continues to increase and planned Government policy changes look set to ensure this translates into higher levels of enrolments in the coming years, underpinning rental growth prospects;

- Regional economies are recovering but land and build prices remain depressed, creating a window of opportunity for development in strong regional locations at cyclically low costs. The Group is well placed to capitalise on these;
- Investor interest in the sector is broadening and deepening, both amongst UK and international investors. Although liquidity remains low relative to more established property sub-sectors and yield movements may therefore lag slightly, the emergence of sustained investor appetite is encouraging and contributes to a positive yield outlook.

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

ENDS

Notes to editors:

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About The UNITE Group

UNITE is the UK's leading manager and developer of student accommodation. We provide a home for 41,000 students in over 120 purpose built properties across 23 of the UK's strongest university towns and cities. We have nearly 1,000 employees and work in partnership with over 50 higher education providers, as well as renting rooms directly to students. In May 2013 UNITE was awarded Student Accommodation Provider of the Year at Property Week's RESI Awards.

Our culturally-diverse customers are at the heart of our business and we aim to provide a home for students that supports their success, whether defined as academic achievement, personal growth or employability. Our properties provide high quality, well-located, safe accommodation that is close to university campuses, transport and local amenities. Our rent includes a study bedroom, all bills, insurance, 24-hour security and high speed Wi-Fi throughout our buildings.

Founded in 1991, UNITE is a FTSE 250 company listed on the London Stock Exchange. We are pursuing a sustainable growth strategy designed to make the most of the resilient nature of the student accommodation sector. We aim to maintain the strongest brand in the sector and 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.

In addition to our wholly owned properties, we are also invested in and operate a small number of specialist funds and joint ventures with institutional investment partners, the largest of which is the £1.35 billion UNITE Student Accommodation Fund (USAF).

The Group's charitable trust, the UNITE Foundation, supports widening access to higher education, integrating students into the community and employability. It provides scholarships for disadvantaged students at seven universities and volunteering opportunities for our students and employees through partner organisations.

For more information visit our corporate website: www.unite-group.co.uk or www.unite-students.com.

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 the adjusted results being net portfolio contribution (NPC), adjusted earnings and adjusted net asset value (NAV) which can be found in section 2. The adjusted results are also aligned with the European Real Estate Association (EPRA) best practice recommendations. We have grouped the notes to the financial statements under five main headings:

- Results for the year, including segmental information, adjusted profits and adjusted NAV
- Asset management
- Funding
- Working capital

Each section sets out the relevant accounting policies applied in these financial statements together with the key judgements and estimates used.

Consolidated income statement
For the year ended 31 December 2013

	Note	2013 £m	2012 £m
Rental income	2.4	81.0	79.4
Property sales and other income	2.4	20.6	135.2
Total revenue		**101.6**	**214.6**
Cost of sales		(41.8)	(145.2)
Operating expenses		(23.4)	(28.0)
Results from operating activities		36.4	41.4
Loss on disposal of property		(1.0)	(2.4)
Net valuation gains on property	3.1	35.4	29.8
Valuation gains recognised on transfer	3.1	–	49.7
Profit before net financing costs		**70.8**	**118.5**
Loan interest and similar charges	4.3	(19.3)	(16.0)
Mark to market changes in interest rate swaps	4.3	0.7	(7.6)
Finance costs	4.3	(18.6)	(23.6)
Finance income	4.3	15.7	1.0
Net financing costs	4.3	**(2.9)**	**(22.6)**
Share of joint venture profit	3.3b	9.2	30.3
Profit before tax		**77.1**	**126.2**
Tax	2.6	2.2	1.0
Profit for the year		**79.3**	**127.2**
Profit for the period attributable to			
Owners of the parent company	2.2b	78.0	125.6
Minority interest		1.3	1.6
		79.3	127.2
Earnings per share			
Basic	2.2b	46.0p	78.3p
Diluted	2.2b	46.0p	78.3p

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

Consolidated statement of comprehensive income
For the year ended 31 December 2013

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

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

Consolidated balance sheet

At 31 December 2013

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

These financial statements were approved by the Board of Directors on 06 March 2014 and were signed on its behalf by:

M C Allan
Director

J J Lister
Director

Consolidated statement of changes in shareholders' equity

At 31 December 2013

	Issued share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Hedging reserve £m	Equity portion of convertible instrument £m	Attributable to owners of the parent £m	Minority interest £m	Total £m
At 1 January 2013	**40.1**	**249.2**	**40.2**	**195.0**	**(8.7)**	**–**	**515.8**	**17.9**	**533.7**
Profit for the period	–	–	–	78.0	–	–	78.0	1.3	79.3
Other comprehensive income for the period	–	–	–	–	6.9	–	6.9	0.3	7.2
Total comprehensive income for the period	–	–	–	78.0	6.9	–	84.9	1.6	86.5
Shares issued	4.1	46.1	–	–	–	–	50.2	–	50.2
Fair value of share based payments	–	–	–	1.1	–	–	1.1	–	1.1
Own shares acquired	–	–	–	(0.6)	–	–	(0.6)	–	(0.6)
Equity arising on issue of convertible bond	–	–	–	–	–	9.4	9.4	–	9.4
Dividends paid to owners of the parent company	–	–	–	(7.5)	–	–	(7.5)	–	(7.5)
Dividends to minority interest	–	–	–	–	–	–	–	(0.8)	(0.8)
At 31 December 2013	**44.2**	**295.3**	**40.2**	**266.0**	**(1.8)**	**9.4**	**653.3**	**18.7**	**672.0**

	Issued share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Hedging reserve £m	Equity portion of convertible instrument £m	Attributable to owners of the parent £m	Minority interest £m	Total £m
At 1 January 2012	**40.1**	**249.0**	**40.2**	**72.8**	**(14.5)**	**–**	**387.6**	**17.1**	**404.7**
Profit for the period	–	–	–	125.6	–	–	125.6	1.6	127.2
Other comprehensive income for the period	–	–	–	–	5.8	–	5.8	–	5.8
Total comprehensive income for the period	–	–	–	125.6	5.8	–	131.4	1.6	133.0
Shares issued	–	0.2	–	–	–	–	0.2	–	0.2
Fair value of share based payments	–	–	–	1.5	–	–	1.5	–	1.5
Own shares acquired	–	–	–	(1.3)	–	–	(1.3)	–	(1.3)
Dividends paid to owners of the parent company	–	–	–	(3.6)	–	–	(3.6)	–	(3.6)
Dividends to minority interest	–	–	–	–	–	–	–	(0.8)	(0.8)
At 31 December 2012	**40.1**	**249.2**	**40.2**	**195.0**	**(8.7)**	**–**	**515.8**	**17.9**	**533.7**

Consolidated statement of cash flows

For the year ended 31 December 2013

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

Notes to the financial statements

Section 1: Basis of preparation

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2013 or 2012 but is derived from those accounts. Statutory accounts for 2012 have been delivered to the Registrar of Companies, and those for 2013 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006 in respect of the accounts for 2012 or 2013.

Going concern

The Group has prepared cash flow projections until the end of 2015. Following the significant level of financing activity that was completed during 2012 and 2013, the Group has significant levels of cash headroom. The Group has two facilities maturing in the second half of 2015 and plans to initiate discussions with banks about their renewal around twelve months before the maturity dates. The Group has historically maintained positive relationships with its lending banks and has always secured new facilities before maturity dates and remained within its covenant levels. The Group is in full compliance with its covenants at 31 December 2013 as set out in note 4.5. In order to manage future financial commitments, the Group operates a formal approval process, through its Major Investment Approvals committee, to ensure appropriate review is undertaken before any land is acquired or build contracts are agreed.

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

Section 2: Results for the year

EPRA performance measures

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

2.1 Segmental information

The Board of Directors monitor the business along two activity lines. The reportable segments for the years ended 31 December 2013 and 31 December 2012 are Operations and Property.
The Group undertakes its Operations and Property activities directly and through joint ventures with third parties. The joint ventures are an integral part of each segment and are included in the information used by the Board to monitor the business.
The Group's properties are located exclusively in the United Kingdom. The Board therefore does not consider that the Group has meaningful geographical segments.

a) Operations

The Operations business manages rental properties, owned directly by the Group or by joint ventures. Its revenues are derived from rental income and asset management fees earned from joint ventures. NPC is the key indicator which is used by the Board to manage the Operations business. The segmental result is outlined below.

2013

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

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

2.1 Segmental information continued

2012

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

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

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

b) Property

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

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

2.1 Segmental information continued

c) Segmental contribution to NAV

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

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

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

2.2 Adjusted profit and EPS

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

a) EPRA earnings and reconciliation to IFRS

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

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

*Within IFRS reported profit, there is a £0.7 million profit (2012: £7.6 million loss) relating to movements in the mark to market of ineffective interest rate swaps, this full loss can be seen in note 4.3. Part of this movement, £4.4 million (2012: £9.0 million) relates to actual interest payments made on these swaps and is considered to be a true operating cost of the Operations Segment. It is therefore already included within Net Financing Costs in NPC (Operating Segment result) in note 2.1a.

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

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

2.2 Adjusted profit and EPS continued

b) Earnings per share

EPS is the amount of post-tax profits attributable to each share. Basic EPS is adjusted in line with EPRA guidelines in order to more accurately show the business performance of the Group in a consistent manner and to reflect how the business is managed and measured on a day to day basis. EPRA EPS and adjusted EPS are calculated using EPRA earnings and adjusted profit as set out above.

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

	Note	2013 £m	2012 £m
Earnings			
Basic (and diluted)		78.0	125.6
EPRA	2.2a	30.6	15.9
Adjusted pre UCC promote fee	2.2a	23.1	15.9
Weighted average number of shares (thousands)			
Basic		169,561	160,319
Dilutive potential ordinary shares (share options)		255	136
Diluted		169,816	160,455
Earnings per share (pence)			
Basic		46.0p	78.3p
Diluted		46.0p	78.3p
EPRA EPS		**18.0p**	**9.9p**
Adjusted pre UCC promote fee		**13.6p**	**9.9p**

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

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

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

2.3 Adjusted Net Assets and NAV per share

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

a) EPRA net assets

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

2.3 Adjusted Net Assets and NAV per share continued

b) Reconciliation to IFRS

EPRA NAV reconciles to NAV reported under IFRS and EPRA Triple Net Asset Value (NNNAV) as follows:

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

2.3 Adjusted Net Assets and NAV per share continued

c) Net Asset Value per share

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

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

2.4. Revenue

The Group earns revenue from the following activities:

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

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

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

2.5 Provisions for onerous contracts

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

2.5 Provisions for onerous contracts continued

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

2.6 Tax

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

a) Tax – income statement

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

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

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

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

b) Tax – other comprehensive income

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

2.6 Tax continued

c) Tax – balance sheet

The table below outlines the deferred tax liabilities/(assets) that are recognised in the balance sheet, together with their movements
in the year:

2013

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

2012

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

A deferred tax asset of £9.6 million (2012: £20.0 million) in respect of losses of £47.9 million (2012: £86.9 million) has not been recognised. Complexities in the Group structure mean these losses may be inaccessible and the Group is considering converting to REIT status in the medium term. Accordingly, the recognised deferred tax asset has been restricted to those losses which are likely be utilised in the next three years.

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

Section 3: Asset management

3.1 Wholly owned property assets

The Group's wholly owned property portfolio is held in four groups on the balance sheet at the carrying values detailed below. In the Group's adjusted NAV, all these groups are shown at market value.

i) Investment property (fixed assets)

These are assets that the Group intends to hold for a long period to earn rental income or capital appreciation. The assets are held at fair value in the balance sheet with changes in fair value taken to the income statement.

ii) Investment property under development (fixed assets)

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

iii) Completed properties (current assets)

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

iv) Properties under development (current assets)

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

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

Valuation process

The valuation of the properties are performed twice a year on the basis of valuation reports prepared by external, independent valuers, having an appropriate recognised professional qualification. The fair values are based on market values as defined in the RICS Appraisal and Valuation Manual, issued by the Royal Institution of Chartered Surveyors. CB Richard Ellis Ltd, Jones Lang LaSalle and Messrs Knight Frank, Chartered Surveyors were the valuers in the years ending 31 December 2013 and 2012.

The reports are based on both:

Information provided by the Group such as current rents, occupancy, operating costs, terms and conditions of leases and nomination agreements, capital expenditure, etc. This information is derived from the Group's financial systems and is subject to the Group's overall control environment.

Assumptions and valuation models used by the valuers – the assumptions are typically market related, such as yields and discount rates. These are based on their professional judgement and market observation.

The information provided to the valuers – and the assumptions and the valuation models used by the valuers – are reviewed by the Property Board and the CFO. This includes a review of fair value movements over the period.

3.1 Wholly owned property assets continued

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

2013

	Investment property £m	Investment property under development £m	Completed property £m	Property under development £m	Total £m
At 1 January 2013	762.8	37.6	–	26.5	826.9
Cost capitalised	8.0	29.2	–	31.8	69.0
Interest capitalised	–	2.9	–	3.2	6.1
Transfer from investment property	(8.7)	8.7	–	–	–
Disposals	(12.8)	–	–	–	(12.8)
Valuation gains	23.6	17.4	–	–	41.0
Valuation losses	(5.3)	(0.3)	–	–	(5.6)
Net valuation gains	18.3	17.1	–	–	35.4
Carrying value at 31 December 2013	**767.6**	**95.5**	**–**	**61.5**	**924.6**

Whilst completed property and property under development are held at cost on the balance sheet, the Group manages the assets based on their market value (fair value). These properties are included in adjusted NAV at their fair value, valued on the same basis as for investment property and investment property under development, by external valuers. The fair value of the Group's wholly owned properties at the year ended 31 December 2013 is as follows:

	Investment property £m	Investment property under development £m	Completed property £m	Property under development £m	Total £m
Carrying value at 31 December 2013 (above)	767.6	95.5	–	61.5	924.6
Valuation gains not recognised under IFRS but included in Adjusted NAV					
Brought forward	–	–	–	19.0	19.0
Valuation gain in year	–	–	–	3.8	3.8
	–	–	–	22.8	22.8
Market value at 31 December 2013	**767.6**	**95.5**	**–**	**84.3**	**947.4**

3.1 Wholly owned property assets continued

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

2012

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

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

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

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

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

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

3.1 Wholly owned property assets continued

Recurring fair value measurement

All investment and development properties are classified as Level 3 in the fair value hierarchy. Whilst completed property and property under development are held at cost in the balance sheet, the Group discloses the fair value of these assets and includes them at fair value in adjusted NAV. Completed property and property under development fair value measurements are categorised as

Level 3 in the fair value hierarchy and their fair value is measured using the same techniques as for investment properties and investment properties under development.

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

The valuation technique for investment properties is a discounted cash flow using the following inputs: net rental income, estimated future costs, occupancy and property management costs.

Where the asset is leased to a university, the valuations also reflect the length of the lease, the allocation of maintenance and insurance responsibilities between the Group and the lessee, and the market's general perception of the lessee's credit worthiness.

The resulting valuations are cross-checked against the initial yields and the capital value per bed derived from actual market transactions.

For development properties, the fair value is usually calculated by estimating the fair value of the completed property (using the discounted cash flow method) less estimated costs to completion.

Fair value using unobservable inputs (Level 3)

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

3.1 Wholly owned property assets continued

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

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

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

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

3.2 Inventories

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

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

3.3 Investments in joint ventures (Group)

The Group has four joint ventures:

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

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

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:

3.3 Investments in joint ventures (Group) continued

2013

	USAF £m		UCC £m		LSAV £m		OCB £m		Total £m	
	Gross	Share	Gross	Share	Gross	Share	Gross	Share	Gross	Share
Investment property	1,354.7	256.5	389.9	117.0	80.4	40.2	173.7	43.4	1,998.7	457.1
Cash	62.4	11.8	11.3	3.4	7.5	3.7	8.4	2.1	89.6	21.0
Debt	(645.5)	(122.2)	(223.1)	(66.9)	(32.2)	(16.1)	(105.6)	(26.4)	(1,006.4)	(231.6)
Swap liabilities	(3.5)	(0.6)	–	–	0.8	0.4	–	–	(2.7)	(0.2)
Other current assets	11.8	2.3	0.3	–	0.9	0.5	0.2	–	13.2	2.8
Other current liabilities	(26.9)	(5.1)	(7.8)	(2.3)	(1.5)	(0.7)	(4.4)	(1.1)	(40.6)	(9.2)
	753.0	142.7	170.6	51.2	55.9	28.0	72.3	18.0	1,051.8	239.9
Investment loans	–	–	–	–	–	–	(40.8)	(10.2)	(40.8)	(10.2)
UCC promote	–	–	–	7.5	–	–	–	–	–	7.5
Net assets	753.0	142.7	170.6	58.7	55.9	28.0	31.5	7.8	1,011.0	237.2
Profit / (loss) for the period	62.7	(0.8)	10.2	3.0	13.9	7.0	2.3	–	89.1	9.2
Adjusted net assets	756.5	124.5	170.6	58.7	55.1	27.6	72.3	18.0	1,054.5	228.8

Share of USAF profit is significantly impacted by the unwinding of discounts on interest free loans made by the Group to the joint venture as disclosed in in note 3.3b.

2012

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

Net assets and profit for the period above include the minority interest, whereas adjusted net assets exclude the minority interest.

3.3 Investments in joint ventures (Group) continued

b) Movement in carrying value of the Group's investments in joint ventures

The carrying value of the Group's investment in joint ventures has increased by £42.4 million during the year ended 31 December 2013 (2012: £21.8 million), resulting in an overall carrying value of £237.2 million (2012: £194.8 million). The following table shows how the increase has been achieved.

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

In addition to its equity shares, the Group has also provided interest free investment loans to some of the joint ventures. These were primarily provided on the setting up of the joint venture to provide capital to acquire investment properties. As a result of being provided interest free, the loans were discounted on recognition to reflect the fair value, the unwinding of the discount is reflected in the Group's finance income.

3.3 Investments in joint ventures (Group) continued

During the year three joint venture investment loans to USAF were transferred to investment in joint ventures following a change in the terms of these loans as a result of the refinancing within USAF. This also resulted in the accelerated unwinding of the discount on the joint venture interest free loans of £15.4 million in the income statement (note 4.3). This is offset in the income statement by a corresponding accelerated unwinding of discount through the share of joint venture profit of £15.4 million (note 3.3a).

c) Transactions with joint ventures

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

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

Included in share of joint venture profit in the income statement is a share of joint venture property management fee costs of £0.6 million (2012: £0.5 million). On a see-through basis these costs are deducted from the property management fees shown above, plus an adjustment for the minority interest of £0.2 million (2012: £0.2 million). This results in the net fees included in NPC (note 2.1a) of £10.6 million (2012: £10.3 million).

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

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

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

3.3 Investments in joint ventures (Group) continued

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

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

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

Section 4: Funding

4.1 Borrowings

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

	Group	
	2013 £m	2012 £m
Current		
In one year or less, or on demand	29.7	100.2
Non-current		
In more than one year but not more than two years	93.2	65.1
In more than two years but not more than five years	182.3	131.8
In more than five years	208.2	230.8
	483.7	427.7
Total borrowings	513.4	527.9

In addition to the borrowings currently drawn as shown above, the Group has available undrawn facilities of £58.2 million (2012: £34.9 million). A further working capital facility of £20.0 million (2012: £20.0 million) is also available.

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

The carrying value of borrowings is considered to be approximate to fair value, except for the Group's fixed rate loans carried at £211.0 million (2012: £227.8 million) and the convertible bond carried at £80.7 million (2012: £nil). The convertible bond and £90.0 million (2012: £90.0 million) of the fixed rate loans are classified as level 1 in the IFRS 13 fair value hierarchy and have a fair value of £188.5 million (2012: £91.5 million).

The remaining £119.5 million (2012: £137.8 million) of the fixed rate loans are classified as level 2 in the IFRS 13 fair value hierarchy. The fair value of these fixed rate loans has been calculated by a third party expert discounting estimated future cash flows on the basis of market expectations of future interest rates. The fair value of these loans is £116.7 million (2012: £145.7 million).

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

4.1 Borrowings continued

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

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.

The following table shows the fair value of interest rate swaps:

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

The fair values of interest rate swaps have been calculated by a third party expert, discounting estimated future cash flows on the basis of market expectations of future interest rates, representing level 2 in the IFRS 13 fair value hierarchy. The IFRS 13 level categorisation relates to the extent the fair value can be determined by reference to comparable market values. The classifications range from level 1 where instruments are quoted on an active market through to level 3 where the assumptions used to arrive at fair value do not have comparable market data.

4.3 Net financing costs

Recognised in the income statement:	2013 £m	2012 £m
Finance income		
– Interest income on deposit	(0.3)	(0.2)
– Impact of discounting on interest free joint venture investment loans (note 3.3b)	(15.4)	(0.8)
Finance income	(15.7)	(1.0)
Gross interest expense on loans	25.0	21.9
Loan break costs	0.4	0.1
Interest capitalised	(6.1)	(6.0)
Loan interest and similar charges	19.3	16.0
Changes in mark to market of interest rate swaps not accounted for as hedges	(0.7)	7.6
Finance costs	**18.6**	23.6
Net financing costs	**2.9**	22.6

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

4.4 Gearing

The Group's adjusted gearing ratio is a key indicator that the Group uses to manage its indebtedness. Adjusted net asset value (NAV)
and adjusted net debt are used to calculate adjusted gearing. Adjusted net debt excludes mark to market of interest rate swaps as shown below.

The Group's gearing ratios are calculated as follows:

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

4.5 Covenant compliance

Many of the Group's funding facilities carry covenants. The Group monitors its covenant position and the headroom available on an ongoing basis. At 31 December 2013, the Group was in full compliance with all of its borrowing covenants. The Group is able to use available cash to reduce debt to increase headroom on its loan to value (LTV) covenants. The covenant headroom position is outlined below and assumes that the Group is able to use a mixture of available cash and add additional property to banks' security pools.

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

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

4.6 Equity

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

	Number of ordinary shares	
	2013	2012
Issued at start of year – fully paid	160,461,442	160,271,460
Share placing	16,000,000	–
Share options exercised	196,482	189,982
Issued at end of year – fully paid	176,657,924	160,461,442

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share
at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

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

The Group are in the process of raising gross proceeds of £100 million through the issue of 24,500,000 shares through a placing and open offer, at a price of £4.10p per share.

4.7 Dividends

During the year, the Company declared and paid an interim dividend of £2.8 million (2012: £1.6 million) and paid a £4.7 million final dividend relating to the year ended 31 December 2012 (2011: £2.0 million).

After the year end, the Directors proposed a final dividend per share of 3.2p (2012: 3p), bringing the total dividend per share for the year to 4.8p (2012: 4p). No provision has been made in relation to this dividend.

Section 5: Working capital

5.1 Cash

The Group's cash position at 31 December 2013 was £43.2 million (2012: £75.4 million).

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

The Group generates cash from its operating activities as follows:

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

Cash flows consist of the following segmental cash inflows/(outflows): Operations £23.2 million (2012: £17.2 million), property (£94.0 million) (2012: £48.3 million) and unallocated £38.6 million (2012: (£6.9 million)). The unallocated amount includes Group dividends (£7.5 million) (2012: (£3.6 million)), LSAV set-up costs £nil (2012: (£1.3 million)), own shares purchased £nil (2012:(£1.3 million)), tax payable of (£0.7 million) (2012: (£0.9 million)), investment in JV's (£11.8 million) (2012: £nil), contributions to UNITE foundation (£0.5 million) (2012: £nil) and amounts received from shares issued £59 million (2012: £0.2 million).

5.2 Credit risk

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

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

	Note	2013 £m	2012 £m
Cash	5.1	43.2	75.4
Trade receivables		2.2	7.8
Amounts due by joint ventures (excluding loans that are capital in nature)		29.3	27.9
Joint venture investment loans	3.3b	10.2	11.2
		84.9	**122.3**

a) Cash

The Group operates investment guidelines with respect to surplus cash. Counterparty limits for cash deposits are largely based upon long-term ratings published by credit rating agencies and credit default swap rates.

b) Trade receivables

The Group's customers can be split into three groups – (i) students (individuals), (ii) commercial organisations including Universities and (iii) manufacturing customers. The Group's exposure to credit risk is influenced by the characteristics of each customer. The Group holds tenant deposits of £8.1 million (2012: £7.9 million) as collateral against individual customers.

c) Joint ventures

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