PRESS RELEASE

23 February 2015

THE UNITE GROUP PLC

("Unite Students", "Unite", the "Group", or the "Company")

FULL YEAR RESULTS FOR THE YEAR TO 31 DECEMBER 2014

The Unite Group plc, the UK's leading developer and manager of student accommodation, announces its full year results for the year ended 31 December 2014.

HIGHLIGHTS

Recurring profits up 44% and dividend increased 133%

- EPRA earnings of £33.3 million (17.2 pence per share), up 44% on a recurring basis (2013: £23.1 million, 13.6 pence per share) and 9% overall (2013: £30.6 million, 18.0 pence per share)
- EPRA EPS yield on NAV of 4.5% in 2014 (2013: 3.9%), a year ahead of plan
- EPRA NAV per share up 13.6% to 434 pence (2013: 382 pence), equating to a total return on equity (NAV growth plus dividends paid) of 15.0%
- Final dividend of 9.0 pence per share (2013: 3.2 pence), making 11.2 pence for the full year (2013: 4.8 pence) and an increased payout ratio of 65% (2013: 35%)
- Like-for-like rental growth of 3.3% for the full year (2013: 3.0%)

Highly visible earnings growth prospects supported by high quality development programme, positive rental growth outlook, strong brand and scalable operating platform

- Rental growth and secured development pipeline, offset by disposals, could add 15 to 20 pence to EPRA earnings per share over the next four years
- Fully funded regional development pipeline comprising 4,400 bed spaces on track for delivery over the next three years with potential to add 37 pence per share to NAV
- LSAV London development pipeline of 2,320 beds on track for delivery in 2015 and 2016 (Unite share 50%) with potential to add 10 pence per share to NAV

Market dynamics remain positive and reservations performance strong

- Reservations for 2015/16 at 65% (2013: 62%) with pricing levels supportive of sustained rental growth in the year ahead
- Removal of student number cap from September 2015 encouraging many Universities to target significant increases in enrolments, supported by healthy UCAS application levels
- Average portfolio yield of 6.3% showing modest compression of 15bps, on a like-for-like basis, during 2014. Investment market activity suggests further yield compression to come in 2015

Mark Allan, Chief Executive of Unite Group, commented:

"Over the past few years we have made some important strategic decisions about the shape and direction of the business and our strong results for 2014 demonstrate how we continue to deliver against these plans. With recurring profits up over 40% and a highly visible growth trajectory from here we are pleased to announce a step change in our dividend, which has more than doubled year on year. Our dividend now represents a 65% payout ratio and it should continue to grow significantly in the coming years.

"Market conditions remain supportive. Student numbers continue to grow steadily, interest rates are still low, development costs remain attractive and the investment market continues to strengthen. We are alert to the risks of rising interest rates, development cost inflation and the uncertainty of an impending General Election but are managing the business in a disciplined way and continue to look forward with confidence."

PRESENTATION

There will be a results presentation to analysts on Monday 23 February at 09:30. The venue for the presentation is The London Stock Exchange, 10 Paternoster Square, London, EC4M 7LS. There is also a webcast and conference call facility in conjunction with the presentation.

Webcast: The live webcast will be available here.

Conference Call Dial in: +44 20 3059 8125

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CHAIRMAN'S STATEMENT

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

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

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

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

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

CHIEF EXECUTIVE'S REVIEW

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

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

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

Financial highlights

	2014	2013
EPRA earnings (recurring)	£33.3m	£23.1m
EPRA earnings per share (recurring)	17.2p	13.6p
EPRA NAV per share	434p	382p
Dividend per share	11.2p	4.8p

Total return on NAV	15.0%	10.5%
See-through LTV ratio	43%	49%
Operations cashflow	£35.0m	£23.2m

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

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

Components of total return

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

*Other factors over the 5 year period comprise one-off items such as swap close outs, UCC performance fee, share placings and UMS costs

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

Building the most trusted brand in our sector

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

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

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

Operating the highest quality portfolio in our sector

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

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

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

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

Maintaining the strongest capital structure in our sector

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

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

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

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

Outlook

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

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

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

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

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

OPERATIONS REVIEW

Sales, rental growth and profitability

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

Summary profit and loss account

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

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

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

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

Finance costs (comprising interest and lease payments) fell to £45.6 million (2012: £47.0 million), reflecting the full year impact of the reduction in the Group's average cost of debt following the refinancing activity in 2013 and 2014. Development pre-contract and other costs increased to £5.5 million (2013: £2.5 million) reflecting the high level of development activity and the one off receipt of £2.3 million Landsbanki recoveries in 2013.

Occupancy, reservations and rental growth

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

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

Demand and supply outlook

For 2014/15 512,000 applicants were awarded places at UK Universities, representing the highest ever annual intake of students in the UK. The total number of applicants was 699,700, meaning that applicant numbers again outstripped available places by over 180,000. Acceptances from EU students were up by 7.8%, non-EU student acceptances increased by 2.8% and acceptances from UK students were up 3.2%, suggesting that the impact of increased tuition fees introduced in 2012 has been absorbed.

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

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

Investment in people, technology and relationships

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

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

Progress has already been made with the majority of the 16 signature commitments focusing on the four areas of Physical, Digital, Service and People. Our implementation plan is on track and students staying with Unite in 2014/15 are already benefitting from a number of additional services and benefits for no extra cost:

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

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

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

PROPERTY REVIEW

NAV growth

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

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

- The growth in the value of the Group's share of investment assets (+23 pence), as a result of rental growth and yield compression
- The value added to the development portfolio (+17 pence)
- The positive impact of retained profits after dividends paid (+13 pence)
- The positive impact of the £100 million equity issue offset by financing costs (-1 pence)

Looking forward our portfolio is well placed to deliver continued growth. Our focus on the strongest University locations underpins rental growth prospects and we will continue to deliver meaningful upside from our development activity.

In total our secured pipeline is expected to deliver 47 pence per share of NAV uplift and 13 pence of earnings per share once completed (Unite share), assuming that expected returns are achieved.

Property portfolio

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

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

Summary balance sheet

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

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

Unite investment portfolio analysis at 31 December 2014

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

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

Student accommodation yields

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

Indicative yields

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

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

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

Development activity

2014 and 2015 completions

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

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

Regional development pipeline

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

Our full secured regional 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	%
2015 completions								
Trenchard Street	Bristol	483	37	27	13	9	2	9.6%
2016 completions								
Greetham Street	Portsmouth	836	54	42	5	37	11	9.3%
Causewayend	Aberdeen	399	33	23	3	20	7	9.8%
Far Gosford Street[1]	Coventry	270	22	17	-	17	6	9.4%

<u>2017 completions</u>								
Newgate Street[1]	Newcastle	606	44	31	-	31	13	9.7%
St Leonards[1]	Edinburgh	550	52	40	1	39	12	9.5%
Tara House[1]	Liverpool	598	45	35	6	29	10	9.3%
Constitution Street[1]	Aberdeen	658	60	44	5	39	16	9.4%
Total (wholly owned)		**4,400**	**347**	**259**	**33**	**221**	**77**	**9.5%**

[1] Subject to obtaining planning consent

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

LSAV development pipeline

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

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

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

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

Illustrative returns (by 2018)

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

Asset disposals

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

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

Acquisitions

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

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

FINANCIAL REVIEW

Income statement and profit measures

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

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

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

Tax

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

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

Cashflow and net debt

The Operations business generated £35.0 million of net cash in 2014 (2013: £23.2 million) and see-through net debt increased marginally to £697 million (2013: £666 million). The key components of the movement in net debt were the share placing, operational cashflow and the disposal programme (generating total inflows of £235 million on a see-through basis) offset by total capital expenditure of

£102 million, dividends paid of £11 million and an increase in our share of co-investment vehicle net debt of £153 million as a result of our increased ownership levels.

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

Dividend

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

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

Subject to approval at Unite's Annual General Meeting on 14 May 2015 the dividend will be paid on 19 May 2015 to shareholders on the register at close of business on 23 April 2015.

Share placing

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

The placing increased NAV at 31 December 2014 by 1 pence per share as the shares were issued at a 8% premium to the December 2013 net asset value. From an EPS perspective the impact across 2014 has been broadly neutral as the income return from the investment in USAF broadly offsets the impact of raising capital to invest into development activity that will not generate earnings for 2-3 years. In the medium term we expect the additional regional developments to be materially accretive to EPS.

Debt financing

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

Key debt statistics (see-through basis)

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

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

Our see-through cost of debt has remained constant at 4.7% (2013: 4.7%) and the Group now has 97% of its see-through investment debt subject to a fixed interest rate (2013: 86%). During 2015 we have the opportunity to lock into forward funding rates on borrowings against our secured development pipeline as it is completed. As current swap rates are lower than we had assumed for planning purposes this could add an additional 1-2 pence per share to the expected annual earnings from the pipeline.

Covenant headroom

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

Funds and joint ventures

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

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

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

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

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

Fees

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

	2014	2013
USAF		
Asset Management fee	6.9	6.6
Acquisition fee	1.4	-
LSAV		
Asset and Property Management fee	3.4	3.5
Development Management fee	2.7	0.9
Performance fee	-	7.5

OCB		
Asset management fee	0.3	0.9
Total fees	**14.7**	**19.4**

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

Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge:

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

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy.

Mark Allan
Chief Executive Officer

Joe Lister
Chief Financial Officer

23 February 2015

FINANCIAL STATEMENTS
INTRODUCTION AND TABLE OF CONTENTS

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

We have grouped the notes to the financial statements under four main headings:
- Results for the year, including segmental information, EPRA earnings and EPRA 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 2014

	Note	**2014** **£m**	2013 £m
Rental income	2.4	**89.4**	81.0
Property sales and other income	2.4	**19.1**	20.6
Total revenue		**108.5**	**101.6**
Cost of sales	2.4	**(50.0)**	(41.8)
Operating expenses		**(25.9)**	(23.4)
Results from operating activities		**32.6**	36.4
Loss on disposal of property		**(1.0)**	(1.0)
Net valuation gains on property	3.1	**43.3**	35.4
Profit before net financing costs		**74.9**	**70.8**
Loan interest and similar charges	4.3	**(22.2)**	(19.3)
Mark to market changes in interest rate swaps	4.3	**(1.3)**	0.7
Finance costs	4.3	**(23.5)**	(18.6)
Finance income	4.3	**0.5**	15.7
Net financing costs	4.3	**(23.0)**	**(2.9)**
Share of joint venture profit	3.3b	**56.5**	9.2
Profit before tax		**108.4**	**77.1**
Tax	2.5a	**(3.6)**	2.2
Profit for the year		**104.8**	**79.3**
Profit for the year attributable to			
Owners of the parent company	2.2c	**102.6**	78.0
Minority interest		**2.2**	1.3
		104.8	79.3
Earnings per share			
Basic	2.2c	**53.1p**	46.0p
Diluted	2.2c	**52.3p**	46.0p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

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

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

FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2014

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

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

M C Allan
Director

J J Lister
Director

FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

	Issued share capital £m	**Share premium £m**	**Merger reserve £m**	**Retained earnings £m**	**Hedging reserve £m**	**Equity portion of convertible instrument £m**	**Attributable to owners of the parent £m**	**Minority interest £m**	**Total £m**
At 1 January 2014	**44.2**	**295.3**	**40.2**	**266.0**	**(1.8)**	**9.4**	**653.3**	**18.7**	**672.0**
Profit for the year	**–**	**–**	**–**	**102.6**	**–**	**–**	**102.6**	**2.2**	**104.8**
Other comprehensive income for the period	**–**	**–**	**–**	**–**	**(0.7)**	**–**	**(0.7)**	**–**	**(0.7)**
Total comprehensive income for the year	**–**	**–**	**–**	**102.6**	**(0.7)**	**–**	**101.9**	**2.2**	**104.1**
Shares issued	**6.2**	**90.5**	**–**	**–**	**–**	**–**	**96.7**	**–**	**96.7**
Fair value of share based payments	**–**	**–**	**–**	**3.1**	**–**	**–**	**3.1**	**–**	**3.1**
Own shares acquired	**–**	**–**	**–**	**(1.8)**	**–**	**–**	**(1.8)**	**–**	**(1.8)**
Dividends paid to owners of the parent company	**–**	**–**	**–**	**(10.7)**	**–**	**–**	**(10.7)**	**–**	**(10.7)**
Dividends to minority interest	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1.1)**	**(1.1)**
At 31 December 2014	**50.4**	**385.8**	**40.2**	**359.2**	**(2.5)**	**9.4**	**842.5**	**19.8**	**862.3**

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

FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

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

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 2014 or 2013 but is derived from those accounts. Statutory accounts for 2013 have been delivered to the Registrar of Companies, and those for 2014 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 2013 or 2014.

Going concern

The Group's business activities, together with the factors likely to affect its future development and position are set out in the Strategic Report on pages 1 to 41. In addition, section 4 of these Notes to the financial statements includes the Group's objectives, policies and processes for managing its capital; details of its borrowings and interest rate swaps; and in note 5.2 its exposure to credit risk.

The Group has prepared cash flow projections 18 months forward to June 2016 and the group has sufficient headroom to meet all its commitments. The Group has one undrawn facility maturing in 2015 which will be replaced by a new facility with one of the Group's relationship banks. Indicative terms have been received and are currently being agreed. This facility will be a sufficient size to incorporate another facility which matures at the end of 2016. The Group has historically maintained positive relationships with its lending banks and has always secured new facilities before maturity dates and within its covenant levels. The Group is in full compliance with its covenants at 31 December 2014. Our debt facilities include loan-to-value, interest cover and minimum net worth covenants, all of which have a high level of headroom. In order to manage future financial commitments, the Group operate a formal approval process, through its Major Investment Approvals committee, to ensure appropriate review is undertaken before any transactions are agreed.

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

SECTION 2: RESULTS FOR THE YEAR

EPRA performance measures

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

2.1 Segmental information

The Board of Directors monitor the business along two activity lines, Operations and Property. The reportable segments for the years ended 31 December 2014 and 31 December 2013 are Operations and Property.

The Group undertakes its Operations and Property activities directly and through joint ventures with third parties. The joint ventures are an integral part of each segment and are included in the information used by the Board to monitor the business.

The Group's properties are located exclusively in the United Kingdom. The Board therefore does not consider that the Group has meaningful geographical segments.

2.2 Earnings

The Operations segment manages rental properties, owned directly by the Group or by joint ventures. Its revenues are derived from rental income and asset management fees earned from joint ventures. The Operations segment is the main contributor to EPRA earnings and EPRA EPS and these are therefore the key indicators which are used by the Board to manage the Operations business.

The Board does not manage or monitor the Operations segment through the balance sheet and therefore no segmental information for assets and liabilities is provided for the Operations segment.

a) EPRA earnings

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

Included in the above is rental income of £20.3 million and property operating expenses of £6.2 million relating to sale and leaseback properties.

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

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

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

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

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

* 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) EPRA earnings IFRS reconciliation

The EPRA profit excludes movements relating to changes in values of investment properties and interest rate swaps, profits from the disposal of properties and property impairments, which are included in the profit reported under IFRS. The EPRA earnings reconcile to the profit reported under IFRS as follows:

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

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

** The minority interest share, or non-controlling interest, arises as a result of the Company not owning 100% of the share capital of one of its subsidiaries, USAF (Feeder) Guernsey Ltd. More detail is provided in note 3.3.

c) Earnings per share

The EPS calculation is based on the earnings attributable to the equity shareholders of The UNITE Group plc and the weighted average number of shares which have been in issue during the year. Basic EPS is adjusted in line with EPRA guidelines in order to more accurately show the business performance of the Group in a consistent manner and to reflect how the business is managed and measured on a day to day basis. EPRA EPS and EPRA EPS pre UCC promote fee are calculated using EPRA earnings.

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

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

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

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

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

2.3 Net assets

The Group's Property business undertakes the acquisition and development of properties. The Property segment's revenue comprises revenue from development management fees earned from joint ventures. EPRA NAV, reported on the basis recommended for real estate companies by EPRA is the key indicator used by the Board to manage the Property business.

a) EPRA net assets

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

* At market value.

b) Movement in EPRA NAV during the year

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

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

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

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

c) Reconciliation to IFRS

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

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

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

d) NAV per share

NAV is based on the net assets attributable to the equity shareholders of The UNITE Group plc and the number of shares in issue at the end of the year. The Board uses EPRA NAV and EPRA NNNAV to monitor the performance of the Property segment on a day to day basis.

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

2.4. Revenue and costs

The Group earns revenue from the following activities:

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

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

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

2.5 Tax

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

a) Tax – income statement

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

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

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

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

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

b) Tax – other comprehensive income

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

c) Tax – balance sheet

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

2014

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

2013

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

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

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

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 EPRA NAV, all these groups are shown at market value.

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

ii) Investment property under development (fixed assets)
These are assets which are currently in the course of construction and which will be transferred to 'Investment property' on completion.

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

iv) Properties under development (current assets)
These are assets which are currently in the course of construction and which will be transferred to 'Completed properties' on completion.

Valuation process
The valuations of the properties are performed twice a year on the basis of valuation reports prepared by external, independent valuers, having an appropriate recognised professional qualification. The fair values are based on market values as defined in the RICS Appraisal and Valuation Manual, issued by the Royal Institution of Chartered Surveyors. CB Richard Ellis Ltd, Jones Lang LaSalle Ltd and Messrs Knight Frank, Chartered Surveyors were the valuers in the years ending 31 December 2014 and 2013.

The reports are based on both:

- Information provided by the Group such as current rents, occupancy, operating costs, terms and conditions of leases and nomination agreements, capital expenditure, etc. This information is derived from the Group's financial systems and is subject to the Group's overall control environment.
- Assumptions and valuation models used by the valuers – the assumptions are typically market related, such as yield and discount rates. These are based on their professional judgement and market observation.

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

The movements in the carrying value of the Group's wholly owned property portfolio during the year ended 31 December 2014 are shown in the table below. Whilst completed property and property under development are held at cost on the balance sheet, the Group manages the assets based on their market value (fair value). These properties are included in EPRA NAV at their fair value, valued on the same basis as for investment property and investment property under development, by external valuers. The fair value of the Group's wholly owned properties at the year ended 31 December 2014 are also shown below.

2014

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

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

2013

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

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

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

Recurring fair value measurement

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

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

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

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

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

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

Fair value using unobservable inputs (Level 3)

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

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

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

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

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

3.2 Inventories

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

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

3.3 Investments in joint ventures (Group)

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

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

* Part of the Group's interest is held through a subsidiary, USAF (Feeder) Guernsey Ltd, in which there is an external investor. A minority interest therefore occurs on consolidation of the Group's results representing the external investor's share of profits and assets relating to its investment in USAF. The ordinary shareholders of The UNITE Group plc are beneficially interested in 22.0% (2013: 16.4%) of USAF.

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

a) Net assets and results of the joint ventures

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

2014

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

2013

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

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

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

The carrying value of the Group's investment in joint ventures has increased by £146.6 million during the year ended 31 December 2014 (2013: £42.4 million), resulting in an overall carrying value of £383.8 million (2013: £237.2 million). The following table shows how the increase has been achieved.

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

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

During the year the remaining joint venture investment loans to OCB were repaid in full. This also resulted in the accelerated unwinding of the discount on the joint venture interest free loans of £0.4 million in the income statement (note 4.3). This is offset in the income statement by a corresponding accelerated unwinding of discount through the share of joint venture profit of £0.4 million (note 3.3a).

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

c) Transactions with joint ventures

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

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

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

Included in the movement in EPRA NAV in the year is a USAF property acquisition fee of £1.2 million. This is the gross fee of £1.4 million paid by USAF net of a £0.2 million adjustment related to trading with joint ventures.

During the year the Group has paid operating lease rentals to USAF relating to two properties under a sale and leaseback agreement. The rents paid were as follows:

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

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

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

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

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

In addition to the borrowings currently drawn as shown above, the Group has available undrawn facilities of £76.5 million (2013: £58.2 million). A further overdraft facility of £10.0 million (2013: £10.0 million) is also available.

The carrying value of borrowings is considered to be approximate to fair value, except for the Group's fixed rate loans carried at £332.5 million (2013: £211.0 million) and the convertible bond carried at £82.5 million (2013: £80.7). The convertible bond and £90.0 million (2013: £90.0 million) of the fixed rate loans are classified as level 1 in the IFRS 13 fair value hierarchy and have a fair value of £194.5 million (2013: £188.5 million). The IFRS 13 level categorisation relates to the extent the fair value can be determined by reference to comparable market values. The classifications range from level 1 where instruments are quoted on an active market through to level 3 where the assumptions used to arrive at fair value do not have comparable market data.

The remaining £242.5 million (2013: £119.5 million) of the fixed rate loans are classified as level 2 in the IFRS 13 fair value hierarchy. The fair value of these fixed rate loans has been calculated by a third party expert discounting estimated future cash flows on the basis of market expectations of future interest rates. The fair value of these loans is £224.0 million (2013: £116.7 million).

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

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:

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

The fair values of interest rate swaps have been calculated by a third party expert, discounting estimated future cash flows on the basis of market expectations of future interest rates, representing level 2 in the IFRS 13 fair value hierarchy.

4.3 Net financing costs

Recognised in the income statement:	**2014 £m**	2013 £m
Finance income		
– Interest income on deposit	**(0.1)**	(0.3)
– Impact of discounting on interest free joint venture investment loans (note 3.3b)	**(0.4)**	(15.4)
Finance income	**(0.5)**	**(15.7)**
Gross interest expense on loans	**28.6**	25.0
Loan break costs	**1.6**	0.4
Interest capitalised	**(8.0)**	(6.1)
Loan interest and similar charges	**22.2**	19.3
Changes in mark to market of interest rate swaps not accounted for as hedges	**1.3**	(0.7)
Finance costs	**23.5**	**18.6**
Net financing costs	**23.0**	**2.9**

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

4.4 Gearing

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

The Group's gearing ratios are calculated as follows:

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

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 2014, the Group was in full compliance with all of its borrowing covenants. The Group is able to use available cash to reduce debt to increase headroom on its loan to value (LTV) covenants. The covenant headroom position is outlined below and assumes that the Group is able to use a mixture of available cash and add additional property to banks' security pools.

	31 December 2014		31 December 2013	
	Weighted covenant	**Weighted actual**	Weighted covenant	Weighted actual
Loan to value	**73%**	**22%***	70%	25%*
Interest cover	**1.45**	**2.61**	1.45	2.50
Minimum net worth	**£250m**	**£881m**	£250m	£682m

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

4.6 Equity

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

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

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

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

4.7 Dividends

During the year, the Company declared and paid an interim dividend of £4.4 million (2013: £2.8 million) and paid a £6.3 million final dividend relating to the year ended 31 December 2013 (2012: £4.7 million).

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

SECTION 5: WORKING CAPITAL

5.1 Cash

The Group's cash position at 31 December 2014 was £41.4 million (2013: £43.2 million).

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

The Group generates cash from its operating activities as follows:

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

Cash flows consist of the following segmental cash inflows/(outflows): Operations £35.0 million (2013: £23.2 million), property (£16.0 million) (2013: (£94.0 million)) and unallocated (£20.8 million) (2013: £38.6 million). The unallocated amount includes Group dividends (£10.7 million) (2013: (£7.5 million)), tax payable of (£0.5 million) (2013: (£0.7 million)), investment in JV's (£105.4 million) (2013: (£11.8 million)), contributions to UNITE foundation (£0.9 million) (2013: (£0.5 million)) and amounts received from shares issued £96.7 million (2013: £59.0 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	**2014 £m**	2013 £m
Cash	5.1	**41.4**	43.2
Trade receivables		**1.9**	2.2
Amounts due by joint ventures (excluding loans that are capital in nature)		**28.1**	29.3
Joint venture investment loans	3.3b	**–**	10.2
		71.4	**84.9**

a) Cash

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

b) Trade receivables

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

c) Joint ventures

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