PRESS RELEASE

23 February 2016

THE UNITE GROUP PLC

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

FULL YEAR RESULTS FOR THE YEAR TO 31 DECEMBER 2015

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 2015.

HIGHLIGHTS

Excellent financial performance on all fronts

- EPRA earnings up 84% to £61.3 million from £33.3 million. Excluding the yield related element of the USAF performance fee, Adjusted EPRA earnings up 49% to £49.5 million.
- EPRA earnings per share up 66% to 28.6 pence from 17.2 pence in 2014. Excluding the yield related element of the USAF performance fee, Adjusted EPRA EPS up 34% to 23.1 pence.
- EPRA NAV per share up 33% to 579 pence (2014: 434 pence) making, together with dividends paid, a total return of 37% for the year. The calculation of EPRA NAV per share now reflects an assumption that the convertible bond will fully convert, resulting in dilution of 10 pence.
- Full year dividend of 15.0 pence up 34% (2014: 11.2 pence). Final dividend declared of 9.5 pence (2014: 9.0 pence).
- Like for like rental growth of 3.8% for the full year (2014: 3.3%).
- Average yield compression across the portfolio of 70bps for the year (2014: 15bps) to 5.55% net initial yield as at December 2015.
- IFRS profit before tax increased to £388.4 million (2014: £108.4 million)

Continued momentum in scale and quality of portfolio

- Operational portfolio increased to 46,000 beds valued at £3.8 billion; Unite share £1.8 billion (2014: 43,000 beds valued at £2.9 billion, Unite share £1.5 billion).
- Development portfolio increased to 6,800 beds valued at £230 million (2014: 6,700 beds valued at £114 million.
- Planning consents in place or well progressed for all 2017 projects (2,300 beds) and secured 2018 pipeline proceeding well (1,400 beds).
- Net debt broadly flat at £731 million (2014: £697 million) and see-through loan-to-value ratio reduced to 35% (2014: 43%).

Strong brand and scalable operating platform an increasing source of competitive advantage

- Independent customer satisfaction and University trust scores at highest ever levels.
- Initial phases of new operating system, Prism, successfully launched and full launch on track for April 2016.
- Overhead efficiency measure improved to 48bps from 61bps and on track to achieve 25-30bps target by 2017.

Outlook remains positive

- Student numbers continue to grow (intake up 3.9% for 2015/16), supported by Government policy, with mid to higher ranked Universities performing more strongly.
- Increased focus on earnings and lower leverage underpins the intention to convert to REIT status in early 2017 and increase dividend pay-out ratio by 10% thereafter.
- Rental growth for 2016 expected to be at least as strong as that achieved for 2015.
- Unite's development activity in strong regional locations remains feasible despite increasing competition for sites. Yields on cost of around 8.5% remain achievable although these returns may moderate towards 8.0% for 2019 deliveries.
- The delivery of our development pipeline together with rental growth and capacity for further development, could see our earnings per share grow by a further 16 to 21 pence over the next few years.

Mark Allan, Chief Executive of Unite Group, commented:

"2015 was another year of strong performance for Unite Students. We have continued to deliver against our consistent, focused strategy and as a result remain well placed to benefit from strong market fundamentals in the UK student accommodation sector.

"Looking forward, we continue to see opportunities to grow our business in a way which will enhance both financial returns and portfolio quality. The keys to this will be leveraging our valuable, market leading brand and scalable platform coupled with continued discipline in our investment and development activities."

PRESENTATION

There will be a presentation for analysts this morning at 09:30. The live webcast will be available at: www.unite-group.co.uk. Please contact Bell Pottinger for further details. Dial-in number for the presentation: 020 3059 8125.

For further information, please contact:

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CHAIRMAN'S STATEMENT

2015 saw another strong performance from the Group, continuing the excellent momentum of recent years. Both total return per share and growth in EPRA earnings per share were well in excess of 30% for the year and, importantly, this was based on similarly strong growth in our independently assessed customer satisfaction scores. As a result of this performance we are declaring a final dividend of 9.5 pence per share, making 15.0 pence for the full year, an increase of 34% for the year.

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

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

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

CHIEF EXECUTIVE'S REVIEW

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

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

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

Components of total return

	2015	2014	2013	2012	2011
EPRA EPS Yield	5.3%	4.5%	3.9%	3.1%	0.9%
Capital growth	22.8%	6.0%	4.4%	5.4%	4.9%
Development profit	6.9%	4.5%	4.1%	4.6%	6.9%
Other *	1.7%	-	(1.9)%	(2.3)%	(4.7)%
Total return	36.7%	15.0%	10.5%	10.8%	8.0%

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

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

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

Building the most trusted brand in our sector

The Unite Students brand is built around our core purpose of 'Home for Success'; our aim to provide environments that help students achieve more during their time at University. We launched Home for Success in early 2014 and the 2014/15 academic year was the first full year in which students benefitted from the various investments we made in our service levels (such as free fortnightly communal kitchen and bathroom cleans, longer opening hours and higher speed wi-fi provision). Our key performance indicators suggest that these investments have been well received: our independently assessed University reputation and customer satisfaction scores both increased again to highest ever levels; we achieved like-for-like rental growth of 3.8% and academic year occupancy of 99%; and reservation levels across the portfolio for the 2016/17 academic year are already at 67% (2014: 65%) with a similarly positive outlook for rental growth for the full year.

Our two main customer groups remain UK first year (52%) and international students (34%) and we are continuing to refine our product and service offer with these groups in mind. During 2016 we will be extending our operations to a fully staffed 7-day model, further enhancing our on-line support and investing further in digital service opportunities. 2016 will also see us complete the launch of our new Prism operating system, with the final on-line booking element scheduled to go live ahead of the 2016/17 year, in addition to the maintenance and revenue management modules that went live in 2015. Our NOI margin remained at 72.5% (2014: 72.5%) as the successful delivery of operating efficiencies offset our investment in enhanced service levels and a slight shift in revenue mix towards the regions.

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

Operating the highest quality portfolio in our sector

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

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

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

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

Maintaining the strongest capital structure in our sector

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

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

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

Market and strategy

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

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

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

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

Outlook

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

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

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

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 2015, resulting in a £16.2 million, 49% increase in Adjusted EPRA earnings to £49.5 million compared to last year (2014: £33.3 million). This growth has been driven by high occupancy, rental growth and the impact of portfolio movements as well as further operational efficiencies and ongoing cost discipline.

Summary income statement

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

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

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

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

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

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

Home for Success investment programme

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

The improvements to the physical environment are nearing completion, having re-branded our entire portfolio and completed the upgrade of 116 common rooms. The installation of LED lighting throughout our estate is progressing well, with 73 properties now completed. The remaining buildings will be completed this year. Utility consumption data is supportive of the savings that were forecast in the original business case and we expect to derive further savings as a result of the reduced maintenance requirements of the new lighting.

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

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

Occupancy, reservations and rental growth

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

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

Investment in people, technology and relationships

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

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

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

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

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

PROPERTY REVIEW

NAV growth

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

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

- The growth in the value of the Group's share of investment assets (+99 pence), as a result of rental growth (+25 pence) and yield compression (+74 pence)
- The value added to the development portfolio (+30 pence)
- EPRA earnings for the period of 29 pence
- Dividends paid of 14 pence reduced NAV
- The positive impact of the £115 million equity issue (11 pence)
- The potential dilution arising from the convertible bond, reflecting the assumption it will fully convert, reduced EPRA NAV by 10 pence per share

Looking forward our portfolio is well placed to deliver continued growth. Our focus on the strongest University locations underpins rental growth prospects and we will continue to deliver meaningful upside from our development activity. In total our secured pipeline is expected to deliver 45 pence per share of NAV uplift and 12 pence of earnings per share once completed.

Property portfolio

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

- Capital expenditure on developments of £134 million and acquisitions of £60 million
- Disposals of £66 million
- Valuation increases of £306 million on the investment and development portfolios, with like-for-like rental growth of 3.8% being generated on the stabilised portfolio

Summary balance sheet

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

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

Unite investment portfolio analysis at 31 December 2015

		USAF	LSAV	Wholly owned	Lease	Total	Unite share
London	Value (£m)	336	695	409	-	**1,440**	**829**
	Beds	2,014	4,300	1,993	260	**8,567**	**45%**
Major provincial	Value (£m)	1,505	44	431	-	**1,980**	**775**
	Beds	20,656	331	6,264	1,828	**29,079**	**42%**
Provincial	Value (£m)	222	-	184	-	**406**	**231**
	Beds	4,202	-	3,253	1,059	**8,514**	**13%**
Total	**Value (£m)**	**2,064**	**739**	**1,024**	**-**	**3,827**	**1,835**
	Beds	26,872	4,631	11,510	3,147	46,160	100%
Unite ownership share		21%	50%	100%	-		
Unite ownership (£m)		442	369	1,024	-	**1,835**	

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

Student accommodation yields

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

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

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

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

Development activity

2015 and 2016 completions

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

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

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

Regional development pipeline

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

Secured development pipeline (wholly owned)

		Secured beds	Total completed value	Total development costs	Capex in period	Capex remaining	Forecast NAV remaining	Forecast yield on cost
		No.	£m	£m	£m	£m	£m	%
2016 completions								
Greetham Street	Portsmouth	836	60	42	26	11	8	9.3%
Causewayend	Aberdeen	399	38	24	11	9	4	9.8%
Far Gosford Street	Coventry	286	25	18	9	9	3	9.4%
2017 completions								
St Leonards	Edinburgh	581	58	41	12	28	10	9.5%
Tara House	Liverpool	776	61	46	5	36	11	9.3%
Constitution Street	Aberdeen	600	58	43	1	36	9	9.3%
Millennium Point[1]	Coventry	371	31	23	0	23	8	8.8%
2018 completions								
Newgate Street	Newcastle	569	48	36	0	36	11	8.5%
Old BRI[1]	Bristol	604	84	62	14	48	22	8.4%
Brunel House[1]	Bristol	228	26	19	9	9	8	8.5%
Total (wholly owned)		**5,250**	**489**	**354**	**87**	**245**	**94**	**9.0%**

[1] Subject to obtaining planning consent

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

LSAV development pipeline

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

Secured development pipeline (LSAV)

		Secured beds	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								
2016 completions								
Stapleton House	London	862	144	86	24	26	18	8.8%
Olympic Way	London	699	79	49	22	14	12	9.0%
Total LSAV		**1,561**	**223**	**135**	**46**	**40**	**30**	**8.9%**
Unite share of LSAV		**n/a**	**112**	**67**	**23**	**20**	**15**	**8.9%**

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

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

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

Asset disposals

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

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

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

Acquisitions

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

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

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

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 before tax measure.

	2015 £m	2014 £m
Adjusted EPRA earnings	49.5	33.3
EPRA earnings	61.3	33.3
Valuation gains and profit/loss on disposal	324.6	75.1
Changes in valuation of interest rate swaps and debt break costs	0.3	(1.8)
Minority interest and tax included in EPRA earnings	2.2	1.8
Profit before tax	**388.4**	**108.4**
Adjusted EPRA earnings per share	23.1p	17.2p
EPRA earnings per share	28.6p	17.2p

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

Cash flow and net debt

The Operations business generated £40.8 million of net cash in 2015 (2014: £35.0 million) and see-through net debt increased marginally to £731 million (2014: £697 million). The key components of the movement in net debt were the share placing, operational cash flow and the disposal programme (generating total inflows of £198 million on a see-through basis) offset by total capital expenditure of £134 million, dividends paid of £32 million and £60 million relating to the acquisition of the AUB portfolio. In 2016, we expect net debt to increase by a similar level as capital expenditure on development activity will exceed anticipated asset disposals.

Dividend

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

Share placing

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

Tax and planned REIT conversion

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

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

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

Debt financing

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

Key debt statistics (see-through basis)

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

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

Convertible bond

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

Interest rate hedging arrangements and cost of debt

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

Funds and joint ventures

The table below summarises the key financials for each vehicle:

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

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

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

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

Fees

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

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

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

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

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

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 2016

INTRODUCTION AND TABLE OF CONTENTS

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

Primary statements

FINANCIAL STATEMENTS
CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 £m	2014 £m
Rental income	2.4	**93.0**	89.4
Property sales and other income	2.4	**115.8**	19.1
Total revenue		**208.8**	**108.5**
Cost of sales	2.4	**(114.9)**	(50.0)
Operating expenses		**(28.5)**	(25.9)
Results from operating activities		**65.4**	32.6
Loss on disposal of property		**(0.6)**	(1.0)
Net valuation gains on property	3.1	**164.8**	43.3
Profit before net financing costs		**229.6**	**74.9**
Loan interest and similar charges	4.3	**(22.6)**	(22.2)
Mark to market changes in interest rate swaps	4.3	**(0.6)**	(1.3)
Finance costs	4.3	**(23.2)**	(23.5)
Finance income	4.3	**0.2**	0.5
Net financing costs	4.3	**(23.0)**	**(23.0)**
Share of joint venture profit	3.3b	**181.8**	56.5
Profit before tax		**388.4**	**108.4**
Current tax	2.5	**(1.6)**	(1.2)
Deferred tax	2.5	**(31.1)**	(2.4)
Profit for the year		**355.7**	**104.8**
Profit for the year attributable to			
Owners of the parent company	2.2c	**351.9**	102.6
Minority interest		**3.8**	2.2
		355.7	**104.8**
Earnings per share			
Basic	2.2c	**164.2p**	53.1p
Diluted	2.2c	**150.3p**	52.3p

All results are derived from continuing activities.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 £m	2014 £m
Profit for the year	**355.7**	**104.8**
Movements in effective hedges	**(1.0)**	(0.1)
Gains on hedging instruments transferred to income statement	**0.2**	1.2
Share of joint venture movements in effective hedges	**0.5**	(1.8)
Share of joint venture movement on hedging instruments transferred to income statement	**–**	–
Other comprehensive income for the year	**(0.3)**	(0.7)
Total comprehensive income for the year	**355.4**	**104.1**
Attributable to		
Owners of the parent company	**351.6**	101.9
Minority interest	**3.8**	2.2
	355.4	**104.1**

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

CONSOLIDATED BALANCE SHEET

	Note	**2015 £m**	2014 £m
Assets			
Investment property	3.1	**1,024.4**	850.5
Investment property under development	3.1	**149.8**	49.2
Investment in joint ventures	3.3b	**610.6**	383.8
Other non-current assets		**24.5**	15.3
Deferred tax asset	2.5c	**1.0**	2.2
Total non-current assets		**1,810.3**	**1,301.0**
Completed property	3.1	**–**	70.1
Inventories	3.2	**3.6**	3.9
Trade and other receivables		**83.0**	43.4
Cash and cash equivalents	5.1	**27.0**	41.4
Total current assets		**113.6**	**158.8**
Total assets		**1,923.9**	**1,459.8**
Liabilities			
Borrowings	4.1	**(31.3)**	(12.5)
Interest rate swaps	4.2	**–**	(0.4)
Trade and other payables		**(115.5)**	(101.6)
Current tax liability		**(2.3)**	(1.0)
Total current liabilities		**(149.1)**	**(115.5)**
Borrowings	4.1	**(443.8)**	(477.3)
Interest rate swaps	4.2	**(2.3)**	(1.9)
Deferred tax liability	2.5c	**(31.0)**	(2.8)
Total non-current liabilities		**(477.1)**	**(482.0)**
Total liabilities		**(626.2)**	**(597.5)**
Net assets		**1,297.7**	**862.3**
Equity			
Issued share capital		**55.5**	50.4
Share premium		**493.3**	385.8
Merger reserve		**40.2**	40.2
Retained earnings		**679.5**	359.2
Hedging reserve		**(2.8)**	(2.5)
Equity portion of convertible instrument	4.1	**9.4**	9.4
Equity attributable to the owners of the parent company		**1,275.1**	**842.5**
Minority interest		**22.6**	19.8
Total equity		**1,297.7**	**862.3**

These financial statements of The Unite Group plc, registered number 3199160 were approved by the Board of Directors on 23 February 2016 and were signed on its behalf by:

M C Allan	**J J Lister**
Director	Director

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Issued share capital £m	**Share premium £m**	**Merger reserve £m**	**Retained earnings £m**	**Hedging reserve £m**	**Equity portion of convertible instrument £m**	**Attributable to owners of the parent £m**	**Minority interest £m**	**Total £m**
At 1 January 2015	**50.4**	**385.8**	**40.2**	**359.2**	**(2.5)**	**9.4**	**842.5**	**19.8**	**862.3**
Profit for the year	**–**	**–**	**–**	**351.9**	**–**	**–**	**351.9**	**3.8**	**355.7**
Other comprehensive income for the period	**–**	**–**	**–**	**–**	**(0.3)**	**–**	**(0.3)**	**0.1**	**(0.2)**
Total comprehensive income for the year	**–**	**–**	**–**	**351.9**	**(0.3)**	**–**	**351.6**	**3.9**	**355.5**
Shares issued	**5.1**	**107.5**	**–**	**–**	**–**	**–**	**112.6**	**–**	**112.6**
Fair value of share based payments	**–**	**–**	**–**	**3.7**	**–**	**–**	**3.7**	**–**	**3.7**
Own shares acquired	**–**	**–**	**–**	**(3.4)**	**–**	**–**	**(3.4)**	**–**	**(3.4)**
Dividends paid to owners of the parent company	**–**	**–**	**–**	**(31.9)**	**–**	**–**	**(31.9)**	**–**	**(31.9)**
Dividends to minority interest	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1.1)**	**(1.1)**
At 31 December 2015	**55.5**	**493.3**	**40.2**	**679.5**	**(2.8)**	**9.4**	**1,275.1**	**22.6**	**1,297.7**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	Group 2015 £m	2014 £m
Cash flows from operating activities	5.1	**120.8**	**44.7**
Cash flows from taxation		**(0.3)**	**(0.5)**
Investing activities			
Proceeds from sale of investment property		**(0.6)**	62.9
Repayment received of joint venture investment loan		**–**	10.7
Loan to joint ventures		**(30.5)**	(12.8)
Dividends received		**22.9**	22.2
Interest received		**0.2**	0.1
Investment in joint ventures		**(52.4)**	(103.3)
Acquisition of intangible assets		**(7.7)**	(5.7)
Acquisition of property		**(96.3)**	(45.9)
Acquisition of plant and equipment		**(4.1)**	(4.8)
Cash flows from investing activities		**(168.5)**	**(76.6)**
Financing activities			
Total interest paid		**(21.8)**	(24.8)
Interest capitalised into property under development included in cash flows from operating activities		**–**	4.0
Interest paid in respect of financing activities		**(21.8)**	(20.8)
Ineffective swap payments		**(2.3)**	(4.0)
Proceeds from the issue of share capital		**112.6**	96.7
Payments to acquire own shares		**(3.4)**	(1.8)
Proceeds from non-current borrowings		**17.6**	124.8
Repayment of borrowings		**(36.1)**	(152.5)
Dividends paid to the owners of the parent company		**(31.9)**	(10.7)
Dividends paid to minority interest		**(1.1)**	(1.1)
Cash flows from financing activities		**33.6**	**30.6**
Net decrease in cash and cash equivalents		**(14.4)**	(1.8)
Cash and cash equivalents at start of year		**41.4**	43.2
Cash and cash equivalents at end of year	5.1	**27.0**	**41.4**

NOTES TO THE FINANCIAL STATEMENTS

SECTION 1: BASIS OF PREPARATION

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2015 or 2014 but is derived from those accounts. Statutory accounts for 2014 have been delivered to the Registrar of Companies, and those for 2015 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 2014 or 2015.

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

The Group has prepared cash flow projections three years forward to December 2018 and the Group has sufficient headroom to meet all its commitments. The Group finalised a new facility in November 2015 which will be sufficient to fund the Group's commitments over the next three years. This facility will be of sufficient size to replace the debt facility maturing in the Group in 2016. The Group has historically maintained positive relationships with its lending banks and has always secured new facilities before maturity dates and within its covenant levels. The Group is in full compliance with its covenants at 31 December 2015. Our debt facilities include loan-to-value, interest cover and minimum net worth covenants, all of which have a high level of headroom. In order to manage future financial commitments, the Group operate a formal approval process, through its Major Investment Approvals committee, to ensure appropriate review is undertaken before any transactions are agreed.

The Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future.

SECTION 2: RESULTS FOR THE YEAR

EPRA performance measures

	Note	**2015 £m.**	2014 £m
EPRA earnings	2.2a	**61.3m**	33.3m
EPRA earnings per share (pence)	2.2c	**28.6p**	17.2p
Adjusted EPRA earnings	2.2a	**49.5m**	33.3m
Adjusted EPRA earnings per share (pence)	2.2c	**23.1p**	17.2p
EPRA NAV	2.3a	**1,394.4m**	881.1m
EPRA NAV per share (pence)	2.3d	**579p**	434p
EPRA NNNAV	2.3c	**1,330.2m**	870.7m
EPRA NNNAV per share (pence)	2.3d	**552p**	429p

2.1 Segmental information

The Board of Directors monitor the business along two activity lines, Operations and Property. The reportable segments for the years ended 31 December 2015 and 31 December 2014 are Operations and Property.

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

The Group's properties are located exclusively in the United Kingdom. The Group therefore has one meaningful geographical segment.

2.2 Earnings

The Operations segment manages rental properties, owned directly by the Group or by joint ventures. Its revenues are derived from rental income and asset management fees earned from joint ventures. The 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

2015	UNITE	Share of joint ventures				Group on see-through basis
	Total £m	USAF £m	LSAV £m	OCB £m	Total £m	Total £m
Rental income	93.0	31.6	19.7	–	51.3	144.3
Property operating expenses	(28.2)	(9.3)	(2.3)	–	(11.6)	(39.8)
Net operating income	64.8	22.3	17.4	–	39.7	104.5
Management fees	17.5	(2.2)	(3.3)	–	(5.5)	12.0
Operating expenses	(21.3)	(0.3)	(0.3)	–	(0.6)	(21.9)
	61.0	19.8	13.8	–	33.6	94.6
Operating lease rentals*	(14.5)	–	–	–	–	(14.5)
Net financing costs	(23.6)	(5.6)	(4.4)	–	(10.0)	(33.6)
Operations segment result	22.9	14.2	9.4	–	23.6	46.5
Property segment result	(1.8)	–	–	–	–	(1.8)
Unallocated to segments	16.6	–	–	–	–	16.6
EPRA earnings	37.7	14.2	9.4	–	23.6	61.3
Yield related USAF performance fees	(11.8)	–	–	–	–	(11.8)
Adjusted EPRA earnings	25.9	14.2	9.4	–	23.6	49.5

Included in the above is rental income of £20.3 million and property operating expenses of £6.6 million relating to sale and leaseback properties.

The £16.6 million credit that is unallocated to segments includes the fair value of share based payments of (£2.9 million), UNITE Foundation of (£1.0 million), net USAF performance fee of £20.2 million, fees received from USAF relating to acquisitions of £1.8 million, deferred tax of (£0.1 million) and current tax charges of (£1.4 million).

* Operating lease rentals arise from properties which the Group has sold and is now leasing back. These properties contribute to the Group's rental income.

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

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

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

* Operating lease rentals arise from properties which the Group has sold and is now leasing back. These properties contribute to the Group's rental income.

b) EPRA earnings IFRS reconciliation

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

	Note	**2015 £m**	2014 £m
EPRA earnings	2.2a	**61.3**	**33.3**
Net valuation gains on investment property	3.1	**164.8**	43.3
Property disposals and write downs		**6.8**	(3.3)
Share of joint venture gains on investment property	3.3b	**152.7**	35.7
Share of joint venture property disposals and write downs		**0.3**	(0.6)
Mark to market changes in interest rate swaps*	4.3	**(0.6)**	(1.3)
Interest rate swap payments on ineffective hedges*		**1.2**	1.2
Debt exit costs		**–**	(1.6)
Share of joint venture debt exit costs	3.3b	**–**	(0.1)
Share of joint venture swap cancellation costs	3.3b	**(0.3)**	–
Deferred tax relating to interest rate swap movement		**(0.2)**	(0.2)
Deferred tax relating to properties		**(30.9)**	(2.7)
Minority interest share of reconciling items**		**(3.2)**	(1.1)
Profit attributable to owners of the parent company		**351.9**	**102.6**

* Within IFRS reported profit, there is a £0.6 million loss (2014: £1.3 million loss) relating to movements in the mark to market of ineffective interest rate swaps, this full loss can be seen in note 4.3. Part of this movement, £1.2 million (2014: £1.2 million) relates to actual interest payments made on these swaps and is considered to be a true operating cost of the Operations Segment. It is therefore already included within Net Financing Costs in the Operating Segment result in note 2.2a.

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

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 yield related USAF performance fee are calculated using EPRA earnings.

The calculations of basic and EPRA EPS for the year ended 31 December 2015 is as follows:

	Note	**2015 £m**	2014 £m
Earnings			
Basic (and diluted)		**351.9**	102.6
EPRA	2.2a	**61.3**	33.3
EPRA pre yield related USAF performance fee	2.2a	**49.5**	33.3
Weighted average number of shares (thousands)			
Basic		**214,304**	193,319
Dilutive potential ordinary shares (share options)		**19,877**	2,966
Diluted		**234,181**	196,285

Earnings per share (pence)		
Basic	**164.2p**	53.1p
Diluted	**150.3p**	52.3p
EPRA EPS	**28.6p**	**17.2p**
EPRA EPS pre yield related USAF performance fee	**23.1p**	**17.2p**

Movements in the weighted average number of shares have resulted from the placing in April 2015 and the issue of shares arising from the employee share based payment schemes.

The placing comprised 20,137,000 shares and gave rise to proceeds of £114.8 million, £112.3 million net of issue costs.

Excluded from the potential dilutive shares (share options), in 2015, are 191,000 (2014: 1,174,000) options which do not affect the diluted weighted average number of shares.

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

	2015			2014		
	Wholly owned £m	**Share of JVs £m**	**Total £m**	Wholly owned £m	Share of JVs £m	Total £m
Investment properties	**1,024.4**	**810.8**	**1,835.2**	850.5	558.4	1,408.9
Completed properties*	**–**	**–**	**–**	101.3	–	101.3
Total income producing properties	**1,024.4**	**810.8**	**1,835.2**	951.8	558.4	1,510.2
Investment properties under development	**149.8**	**80.2**	**230.0**	49.2	65.1	114.3
Total property portfolio	**1,174.2**	**891.0**	**2,065.2**	**1,001.0**	**623.5**	**1,624.5**
Debt on properties	**(475.1)**	**(304.6)**	**(779.7)**	(489.8)	(270.7)	(760.5)
Cash	**27.0**	**22.0**	**49.0**	41.4	21.8	63.2
Net debt	**(448.1)**	**(282.6)**	**(730.7)**	**(448.4)**	**(248.9)**	**(697.3)**
Other assets/(liabilities)	**(4.9)**	**(18.3)**	**(23.2)**	(38.0)	(8.1)	(46.1)
EPRA net assets (pre convertible)	**721.2**	**590.1**	**1,311.3**	**514.6**	**366.5**	**881.1**
Convertible bond**	**83.1**	**–**	**83.1**	–	–	–
EPRA net assets	**804.3**	**590.1**	**1,394.4**	**514.6**	**366.5**	**881.1**
Loan to value	**38%**	**32%**	**35%**	**45%**	**40%**	**43%**

* At market value.

** Under the terms of the Convertible Bond, early conversion of the debt into equity can be triggered if the share price trades over 1.3 times the conversion price for a period of time, this threshold was triggered as at 31 December 2015; the bondholders have the right to exercise until 31 March 2016.

b) Movement in EPRA NAV during the year
Contributions to EPRA NAV by each segment during the year is as follows:

2015	UNITE	Share of joint ventures				Group on see-through basis
	Total £m	USAF £m	LSAV £m	OCB £m	Total £m	Total £m
Operations						
Operations segment result	22.9	14.2	9.4	–	23.6	46.5
Property						
Rental growth	21.6	5.8	22.2	–	28.0	49.6
Yield movement	97.6	37.0	41.1	–	78.1	175.7
Disposals and acquisition costs	(17.3)	0.1	0.2	–	0.3	(17.0)
Investment property gains	101.9	42.9	63.5	–	106.4	208.3
Development property gains	45.7	–	36.1	–	36.1	81.8
Pre-contract/other development costs	(1.8)	–	–	–	–	(1.8)
Total property	145.8	42.9	99.6	–	142.5	288.3
Unallocated						
Shares issued	112.6	–	–	–	–	112.6
Investment in joint ventures	(57.8)	41.6	16.2	–	57.8	–
Convertible bond	83.1	–	–	–	–	83.1
Dividends paid	(31.9)	–	–	–	–	(31.9)
USAF performance fee	19.8	–	–	–	–	19.8
USAF property acquisition fee	1.7	–	–	–	–	1.7
Swap losses and debt exit costs	(1.1)	(0.3)	–	–	(0.3)	(1.4)
Other	(5.4)	–	–	–	–	(5.4)
Total unallocated	121.0	41.3	16.2	–	57.5	178.5
Total EPRA NAV movement in the year	289.7	98.4	125.2	–	223.6	513.3
Total EPRA NAV brought forward	514.6	206.9	159.6	–	366.5	881.1
Total EPRA NAV carried forward	804.3	305.3	284.8	–	590.1	1,394.4

The £5.4 million charge in that comprises the other balance within the unallocated segment includes a tax charge of £1.5 million, fair value of share options charge of £2.9 million and £1.0 million for the UNITE Foundation.

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

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

c) Reconciliation to IFRS

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

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

	Note	**2015 £m**	2014 £m
Net asset value reported under IFRS		**1,275.1**	**842.5**
Recognise valuation gain on property held at cost	3.1	**–**	31.2
Mark to market interest rate swaps		**4.3**	4.8
Deferred tax		**31.9**	2.6
EPRA NAV (pre convertible)	2.3a	**1,311.3**	**881.1**
Convertible bond		**83.1**	–
EPRA NAV		**1,394.4**	**881.1**
Mark to market of fixed rate debt		**(28.0)**	(3.0)
Mark to market interest rate swaps		**(4.3)**	(4.8)
Deferred tax		**(31.9)**	(2.6)
EPRA NNNAV		**1,330.2**	**870.7**

d) NAV per share

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

	Note	**2015 £m**	2014 £m
Net assets			
Basic	2.3c	**1,275.1**	842.5
EPRA	2.3a	**1,394.4**	881.1
EPRA diluted		**1,396.7**	882.3
EPRA NNNAV (diluted)		**1,332.5**	871.9
Number of shares (thousands)			
Basic		**222,051**	202,362
Convertible bond		**18,124**	–
Outstanding share options		**1,027**	873
Diluted		**241,202**	203,235
Net asset value per share (pence)			
Basic		**574p**	416p
EPRA		**581p**	435p
EPRA (diluted)		**579p**	**434p**
EPRA NNNAV (diluted)		**552p**	**429p**

2.4. Revenue and costs

The Group earns revenue from the following activities:

		Note	**2015 £m**	2014 £m
Rental income	Operations segment	2.2a	**93.0**	89.4
Management fees	Operations segment		**15.2**	12.0
Development fees	Property segment		**1.9**	2.7
Property sales	Unallocated		**77.0**	4.6
USAF performance fee	Unallocated		**22.4**	–
			209.5	108.7
Impact of minority interest on management fees			**(0.7)**	(0.2)
Total revenue			**208.8**	**108.5**

The cost of sales included in the consolidated income statement includes property operating expenses of £28.9 million (2014: £25.9 million), operating lease rentals of £14.5 million (2014: £14.4 million), costs associated with development fees of £1.9 million (2014: £2.7 million) and the carrying value of property sales of £69.6 million (2014: £7.0 million).

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.

a) Tax – income statement

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

	2015 £m	2014 £m
Income tax on UK rental income arising in non-UK companies	1.6	1.2
Current tax charge	**1.6**	**1.2**
Movement on the revaluation of investment properties	19.2	0.5
Movement on the revaluation of joint venture investments	11.7	3.4
Other temporary timing differences	(0.1)	(0.9)
Prior year adjustments	0.3	(0.6)
Deferred tax charge/(credit)	**31.1**	**2.4**
Total tax charge/(credit) in income statement	**32.7**	**3.6**

In the income statement, a tax charge of £32.7 million arises on a profit before tax of £388.4 million, the taxation charge that would arise at the standard rate of UK corporation tax is reconciled to the actual tax charge as follows:

	2015 £m	2014 £m
Profit before tax	**388.4**	**108.4**
Income tax using the UK corporation tax rate of 20.25% (2014: 21.5%)	78.7	23.3
Effect of indexation on investment and development property	(3.4)	(1.9)
Non-taxable items	(31.3)	(11.5)
Movement on unprovided deferred tax asset	(0.6)	(4.3)
Profits chargeable at lower rate	–	(0.1)
Effect of property disposals	–	(1.1)
Rate difference on deferred tax	(4.1)	(0.1)
Recognition of previously un-recognised deferred tax asset	(7.4)	–
Effect of tax deduction transferred to equity on share schemes	1.1	–
Prior years adjustments	(0.3)	(0.7)
Total tax charge in income statement	**32.7**	**3.6**

Included within non-taxable items of £31.3 million are adjustments for property revaluations that are not subject to tax. Other items include tax only adjustments, and expenditure not ordinarily allowable for tax purposes such as aborted deal costs.

b) Tax – other comprehensive income

Within other comprehensive income a tax charge totalling £1.7 million (2014: £1.2 million) has been recognised representing deferred tax. An analysis of this is included below in the deferred tax movement table (note 2.5c).

c) Tax – balance sheet

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

2015

	At 31 December 2014 £m	Transfers £m	(Credited) in income £m	Charged in equity £m	**At 31 December 2015 £m**
Investment property	17.3	–	16.7	–	**34.0**
Property, plant and machinery	(0.6)	–	0.3	–	**(0.3)**
Investments in joint ventures	10.7	–	11.1	–	**21.8**
Share options	(1.5)	–	(0.2)	0.1	**(1.6)**
Interest rate swaps	(0.3)	–	0.2	(1.0)	**(1.1)**
Interest rate swaps relating to joint ventures	(0.6)	–	–	0.1	**(0.5)**
Tax value of carried forward losses recognised	(24.4)	–	3.0	(0.9)	**(22.3)**
Net tax (assets)/liabilities	**0.6**	–	31.1	(1.7)	**30.0**

2014

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

A deferred tax asset of £1.7 million (2014: £8.9 million) in respect of losses of £8.5 million (2014: £44.7 million) has not been recognised. Complexities in the Group structure mean these losses may be inaccessible and the Group is intending to convert to REIT status in early 2017. Accordingly, the recognised deferred tax asset has been restricted to those losses which are likely be utilised in the next financial year.

A reduction in the UK corporation tax rate from 20% to 19% (effective 1 April 2017) and from 19% to 18% (effective 1 April 2020) was substantively enacted on 26 October 2015. This will reduce the Group's future current tax charge accordingly. Deferred tax at 31 December 2015 has been calculated based on the rate at which it is expected to reverse.

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. The assets are held at fair value in the balance sheet with changes in fair value taken to the income statement.

iii) Completed properties (current assets)

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

iv) Properties under development (current assets)

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

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 2015 and 2014.

The valuations are based on both:

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

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

The movements in the carrying value of the Group's wholly owned property portfolio during the year ended 31 December 2015 are shown in the table below. Whilst completed property and property under development are held at cost on the balance sheet, the Group manages the assets based on their market value (fair value). These properties are included in EPRA NAV at their fair value, 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 2015 are also shown below.

2015

	Investment property £m	**Investment property under development £m**	**Completed property £m**	**Property under development £m**	**Total £m**
At 1 January 2015	**850.5**	**49.2**	**70.1**	**–**	**969.8**
Cost capitalised	**8.6**	**97.4**	**–**	**–**	**106.0**
Interest capitalised	**–**	**2.7**	**–**	**–**	**2.7**
Transfer from investment property under development	**41.2**	**(41.2)**	**–**	**–**	**–**
Transfer from work in progress	**–**	**1.0**	**–**	**–**	**1.0**
Disposals	**–**	**–**	**(70.1)**	**–**	**(70.1)**
Valuation gains	**126.4**	**41.0**	**–**	**–**	**167.4**
Valuation losses	**(2.3)**	**(0.3)**	**–**	**–**	**(2.6)**
Net valuation gains	**124.1**	**40.7**	**–**	**–**	**164.8**
Carrying value at 31 December 2015	**1,024.4**	**149.8**	**–**	**–**	**1,174.2**
Valuation gains not recognised under IFRS but included in EPRA NAV					
Brought forward	**–**	**–**	**31.2**	**–**	**31.2**
Disposals	**–**	**–**	**(31.2)**	**–**	**(31.2)**
	–	**–**	**–**	**–**	**–**
Market value at 31 December 2015	**1,024.4**	**149.8**	**–**	**–**	**1,174.2**

The movements in the carrying value of the Group's wholly owned property portfolio during the year ended 31 December 2014 and the fair value of the Group's wholly owned property portfolio at the year ended 31 December 2014 is as follows:

2014

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

Included within investment properties at 31 December 2015 are £41.6 million (2014: £31.4 million) of assets held under a long leasehold and £10.5 million (2014: £10.4 million) of assets held under short leasehold.

Total interest capitalised in investment and development properties at 31 December 2015 was £35.4 million (2014: £40.3 million) on a cumulative basis. Total internal costs relating to construction and development costs of Group properties amount to £49.6 million at 31 December 2015 (2014: £47.4 million) on a cumulative basis.

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	2015 £m	2014 £m
London – Rental properties	**409.4**	438.1
Major provincial – Rental properties	**431.1**	346.1
Other provincial – Rental properties	**183.9**	167.6
Major provincial – Development properties	**94.2**	42.3
Other provincial – Development properties	**55.6**	6.9
Market value	**1,174.2**	**1,001.0**

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

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

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

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

Fair value using unobservable inputs (Level 3)

	2015 £m	2014 £m
Opening fair value	**1,001.0**	947.4
Gains and losses recognised in income statement	**164.8**	43.3
Gains and losses not recognised on properties under development	**–**	8.4
Acquisitions	**–**	–
Capital Expenditure	**109.7**	53.6
Disposals	**(101.3)**	(51.7)
Closing fair value	**1,174.2**	**1,001.0**

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

2015	**Fair value £m**	**Valuation technique**	**Unobservable inputs**	**Range**	**Weighted average**
London – rental properties	**409.4**	Discounted cash flows	Net rental income (£ per week)	**£190 – £326**	**£244**
			Estimated future rent (%)	**2% – 4%**	**3%**
			Discount rate (yield) (%)	**4.6% – 5.2%**	**4.8%**
Major provincial – rental properties	**431.1**	Discounted cash flows	Net rental income (£ per week)	**£95 – £146**	**£120**
			Estimated future rent (%)	**1% – 6%**	**4%**
			Discount rate (yield) (%)	**5.2% – 7.0%**	**5.8%**
Other provincial – rental properties	**183.9**	Discounted cash flows	Net rental income (£ per week)	**£77 – £135**	**£117**
			Estimated future rent (%)	**2% – 6%**	**4%**
			Discount rate (yield) (%)	**5.8% – 9.4%**	**6.3%**
Major provincial – development properties	**94.2**	Discounted cash flows	Estimated cost to complete (£m)	**£9.4m – 47.6m**	**£31.6m**
			Estimated future rent (%)	**3%**	**3%**
			Discount rate (yield) (%)	**5.2% – 5.8%**	**5.6%**
Other provincial – development properties	**55.6**	Discounted cash flows	Estimated cost to complete (£m)	**£8.9m – £10.5m**	**£10.1m**
			Estimated future rent (%)	**3%**	**3%**
			Discount rate (yield) (%)	**5.8% – 5.9%**	**5.9%**
Fair value at 31 December 2015	**1,174.2**				

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

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

3.2 Inventories

	2015 £m	2014 £m
Interests in land	**0.9**	1.5
Other stocks	**2.7**	2.4
Inventories	**3.6**	**3.9**

The movement in other stock is caused by an increase in activity during the year relating to costs incurred in connection with the acquisition of assets for the LSAV joint venture. In addition, the Group only has interests in one piece of land reduced from three in 2014.

3.3 Investments in joint ventures (Group)

The Group has two joint ventures:

Joint venture	Group's share of assets/results 2015 (2014)	Objective	Partner	Legal entity in which Group has interest
The UNITE UK Student Accommodation Fund (USAF)	23.0%* (24.0%)	Invest and operate student accommodation throughout the UK	Consortium of investors	UNITE Student Accommodation Fund, a Jersey Unit Trust
London Student Accommodation Venture (LSAV)	50% (50%)	Develop and operate student accommodation in London	GIC Real Estate Pte, Ltd Real estate investment vehicle of the Government of Singapore	LSAV Unit Trust, a Jersey Unit Trust and LSAV (Holdings) Ltd, incorporated in Jersey

* Part of the Group's interest is held through a subsidiary, USAF (Feeder) Guernsey Ltd, in which there is an external investor. A minority interest therefore occurs on consolidation of the Group's results representing the external investor's share of profits and assets relating to its investment in USAF. The ordinary shareholders of The UNITE Group plc are beneficially interested in 21.4% (2014: 22.0%) of USAF.

a) Net assets and results of the joint ventures

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

2015

	USAF £m		**LSAV £m**		**OCB £m**		**Total £m**	
	Gross	**Share**	**Gross**	**Share**	**Gross**	**Share**	**Gross**	**Share**
Investment property	**2,074.2**	**477.4**	**894.4**	**447.2**	**–**	**–**	**2,968.6**	**924.6**
Cash	**36.6**	**8.4**	**28.4**	**14.2**	**–**	**–**	**65.0**	**22.6**
Debt	**(638.3)**	**(146.9)**	**(336.0)**	**(168.0)**	**–**	**–**	**(974.3)**	**(314.9)**
Swap liabilities	**–**	**–**	**(3.9)**	**(2.0)**	**–**	**–**	**(3.9)**	**(2.0)**
Other current assets	**1.9**	**0.5**	**1.0**	**0.5**	**–**	**–**	**2.9**	**1.0**
Other current liabilities	**(66.2)**	**(11.6)**	**(18.2)**	**(9.1)**	**–**	**–**	**(84.4)**	**(20.7)**
Net assets	**1,408.2**	**327.8**	**565.7**	**282.8**	**–**	**–**	**1,973.9**	**610.6**
Profit/(loss) for the year	**234.3**	**63.7**	**236.1**	**118.1**	**–**	**–**	**470.4**	**181.8**
EPRA net assets	**1,408.2**	**305.3**	**569.6**	**284.8**	**–**	**–**	**1,977.8**	**590.1**

2014

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

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

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

The carrying value of the Group's investment in joint ventures has increased by £226.8 million during the year ended 31 December 2015 (2014: £146.6 million), resulting in an overall carrying value of £610.6 million (2014: £383.8 million). The following table shows how the increase has been achieved.

	2015			2014		
	Investment in joint venture £m	**Joint venture investment loan £m**	**Total interest £m**	Investment in joint venture £m	Joint venture investment loan £m	Total interest £m
Recognised in the income statement:						
Operations segment result	**23.6**	**–**	**23.6**	17.0	–	17.0
Minority interest share of Operations segment result	**1.2**	**–**	**1.2**	1.3	–	1.3
Management fee adjustment related to trading with joint venture	**4.1**	**–**	**4.1**	3.0	–	3.0
Net revaluation gains	**152.7**	**–**	**152.7**	35.7	–	35.7
Discount on interest free loans (note 4.3)	**–**	**–**	**–**	(0.4)	0.4	–
Debt exit costs	**–**	**–**	**–**	(0.1)	–	(0.1)
Loss on cancellation of interest rate swaps	**(0.3)**	**–**	**(0.3)**	–	–	–
Landsbanki cash received	**–**	**–**	**–**	0.4	–	0.4
Loss on disposal of properties	**0.3**	**–**	**0.3**	(0.6)	–	(0.6)
Other	**0.2**	**–**	**0.2**	0.2	–	0.2
	181.8	**–**	**181.8**	56.5	0.4	56.9
Recognised in equity:						
Movement in effective hedges	**0.6**	**–**	**0.6**	(2.3)	–	(2.3)
Other adjustments to the carrying value:						
Profit adjustment related to trading with joint venture	**(11.9)**	**–**	**(11.9)**	(1.5)	0.1	(1.4)
Repayment of loan to OCB	**–**	**–**	**–**	–	(10.7)	(10.7)
Increase in loan to USAF	**30.5**	**–**	**30.5**	12.8	–	12.8
Additional capital invested in USAF	**29.1**	**–**	**29.1**	57.1	–	57.1
Additional capital invested in UCC	**–**	**–**	**–**	26.5	–	26.5
Additional capital invested in LSAV	**23.3**	**–**	**23.3**	19.7	–	19.7
USAF performance fee	**(3.7)**	**–**	**(3.7)**	–	–	–
Distributions received	**(22.9)**	**–**	**(22.9)**	(22.2)	–	(22.2)
Increase/(decrease) in carrying value	**226.8**	**–**	**226.8**	**146.6**	**(10.2)**	**136.4**
Carrying value at 1 January	**383.8**	**–**	**383.8**	237.2	10.2	247.4
Carrying value at 31 December	**610.6**	**–**	**610.6**	**383.8**	**–**	**383.8**

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

c) Transactions with joint ventures

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

	2015 £m	2014 £m
USAF	**8.5**	6.9
LSAV	**4.7**	3.4
OCB	**–**	0.3
Asset and property management fees	**13.2**	10.6
LSAV	**1.4**	2.7
Development management fees	**1.4**	2.7
USAF performance fee	**25.6**	–
USAF acquisition fee	**2.1**	1.4
Investment management fees*	**27.7**	1.4
Total fees	**42.3**	14.7

* Included in the movement in EPRA NAV in a USAF performance fee of £20.2 million (2014: £nil). This is the gross fee of £25.6 million (2014: £nil) paid by USAF net of associated costs of £2.2 million (2014: £nil) and a £3.2 million (2014: £nil) adjustment related to trading with joint ventures. The USAF performance fee will be settled in units in The Unite UK Student Accommodation Fund rather than cash.

Included in share of joint venture profit in the income statement is a share of joint venture property management fee costs of £1.4 million (2014: £0.8 million). On a see-through basis these costs are deducted from the property management fees shown above, plus an adjustment for the minority interest of £0.2 million (2014: £0.2 million). This results in the net fees included in the Operating Segment result (note 2.2a) of £12.0 million (2014: £10.0 million). Development management fees are included in the Property Segment result (note 2.2a). Investment management fees are included within the unallocated to segments (note 2.2a).

Included in the movement in EPRA NAV in a USAF property acquisition fee of £1.7 million (2014: £1.2 million). This is the gross fee of £2.1 million (2014: £1.4 million) paid by USAF net of a £0.4 million (2014: £0.2 million) adjustment related to trading with joint ventures.

During the year the Group has paid operating lease rentals to USAF relating to two properties under a sale and leaseback agreement amounting to £2.7 million (2014: £1.3 million).

During the year the Group sold one property to LSAV for £84.3 million. The property was held on the balance sheet as property within current assets, the proceeds and carrying value of the property are therefore recognised in revenue and cost of sales and the cash flows in operating activities. One property was sold to USAF in 2014. The profits relating to sales and associated disposal costs and related cash flows are set out below:

	Profit and loss 2015	Profit and loss 2014
	LSAV £m	LSAV £m
Included in property sales and other income (net of joint venture trading adjustment)	**77.2**	–
Included in cost of sales	**(70.1)**	–
Profit on disposal of property	**7.1**	–

	Profit and loss 2015	Profit and loss 2014
	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 2015	Cash flow 2014
	LSAV £m	LSAV £m
Proceeds	**84.3**	–
Net cash flows included in cash flows from operating activities	**84.3**	–

	Cash flow 2015	Cash flow 2014
	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	
	2015 £m	2014 £m
Current		
In one year or less, or on demand	**31.3**	12.5
Non-current		
In more than one year but not more than two years	**1.5**	40.5
In more than two years but not more than five years	**202.2**	106.7
In more than five years	**240.1**	330.1
	443.8	477.3
Total borrowings	**475.1**	**489.8**

In addition to the borrowings currently drawn as shown above, the Group has available undrawn facilities of £174.0 million (2014: £76.5 million). A further overdraft facility of £10.0 million (2014: £10.0 million) is also available.

The carrying value of borrowings is considered to be approximate to fair value, except for the Group's fixed rate loans carried at £331.4 million (2014: £332.5 million) and the convertible bond carried at £84.3 million (2014: £82.5). The convertible bond and £90.0 million (2014: £90.0 million) of the fixed rate loans are classified as level 1 in the IFRS 13 fair value hierarchy and have a fair value of £218.4 million (2014: £194.5 million). The IFRS 13 level categorisation relates to the extent the fair value can be determined by reference to comparable market values. The classifications range from level 1 where instruments are quoted on an active market through to level 3 where the assumptions used to arrive at fair value do not have comparable market data.

The remaining £241.4 million (2014: £242.5 million) of the fixed rate loans are classified as level 2 in the IFRS 13 fair value hierarchy. The fair value of these fixed rate loans has been calculated by a third party expert discounting estimated future cash flows on the basis of market expectations of future interest rates. The fair value of these loans is £226.4 million (2014: £224.0 million).

Properties with a carrying value of £993.6 million (2014: £651.9 million) have been pledged as security against the Group's drawn down borrowings.

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:

	2015 £m	2014 £m
Current	**–**	0.4
Non-current	**2.3**	1.9
Fair value of interest rate swaps	**2.3**	**2.3**

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

4.3 Net financing costs

Recognised in the income statement:	**2015 £m**	2014 £m
Finance income		
– Interest income on deposit	**(0.2)**	(0.1)
– Impact of discounting on interest free joint venture investment loans (note 3.3b)	**–**	(0.4)
Finance income	**(0.2)**	**(0.5)**
Gross interest expense on loans	**25.3**	28.6
Loan break costs	**–**	1.6
Interest capitalised	**(2.7)**	(8.0)
Loan interest and similar charges	**22.6**	22.2
Changes in mark to market of interest rate swaps not accounted for as hedges	**0.6**	1.3
Finance costs	**23.2**	**23.5**
Net financing costs	**23.0**	**23.0**

The average cost of the Group's wholly owned investment debt at 31 December 2015 is 4.7% (2014: 5.1%). The overall average cost of investment debt on a see-through basis is 4.5% (2014: 4.7%).

4.4 Gearing

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

The Group's gearing ratios are calculated as follows:

	Note	2015 £m	2014 £m
Cash and cash equivalents	5.1	**27.0**	41.4
Current borrowings	4.1	**(31.3)**	(12.5)
Non-current borrowings	4.1	**(443.8)**	(477.3)
Interest rate swaps liabilities	4.2	**(2.3)**	(2.3)
Net debt per balance sheet		**(450.4)**	**(450.7)**
Mark to market of interest rate swaps		**2.3**	2.3
Adjusted net debt		**(448.1)**	**(448.4)**
Reported net asset value (attributable to owners of the parent company)	2.3c	**1,275.1**	842.5
EPRA net asset value	2.3c	**1,394.4**	881.1
Gearing			
Basic (Net debt/Reported net asset value)		**35%**	53%
Adjusted gearing (Adjusted net debt/EPRA net asset value)		**32%**	51%
See-through adjusted gearing (including share of JV properties and net debt)		**52%**	79%
See-through adjusted LTV		**35%**	43%

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 2015, the Group was in full compliance with all of its borrowing covenants. The Group is able to use available cash to reduce debt to increase headroom on its loan to value (LTV) covenants. The covenant headroom position is outlined below and assumes that the Group is able to use a mixture of available cash and add additional property to banks' security pools.

	31 December 2015		31 December 2014	
	Weighted covenant	**Weighted actual**	Weighted covenant	Weighted actual
Loan to value	**74%**	**29%***	73%	22%*
Interest cover	**1.47**	**4.47**	1.45	2.61
Minimum net worth	**£250m**	**£1,394**	£250m	£881m

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

4.6 Equity

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

	Number of ordinary shares	
	2015	2014
Issued at start of year – fully paid	**201,541,803**	176,657,924
Share placing	**20,137,326**	24,500,000
Share options exercised	**251,782**	383,879
Issued at end of year – fully paid	**221,930,911**	201,541,803

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

On 20 April 2015 the Group completed a share placing and open offer of 21,137,326 shares, which gave rise to proceeds of £114.8 million, £112.3 million net of issue costs.

4.7 Dividends

During the year, the Company declared and paid an interim dividend of £12.1 million (2014: £4.4 million) and paid a £19.8 million final dividend relating to the year ended 31 December 2014 (2013: £6.3 million).

After the year end, the Directors proposed a final dividend per share of 9.5p (2014: 9.0p), bringing the total dividend per share for the year to 15.0p (2014: 11.2p). No provision has been made in relation to this dividend.

SECTION 5: WORKING CAPITAL

5.1 Cash

The Group's cash position at 31 December 2015 was £27.0 million (2014: £41.4 million).

The Group's cash balances include £8.5 million (2014: £12.8 million) whose use at the balance sheet date is restricted by funding agreements to pay operating costs and loan interest relating to specific properties.

The Group generates cash from its operating activities as follows:

		Group	
	Note	**2015 £m**	2014 £m
Profit/(loss) for the year		**355.7**	104.8
Adjustments for:			
Depreciation and amortisation		**2.6**	2.5
Fair value of share based payments		**2.9**	2.1
Change in value of investment property	3.1	**(164.8)**	(43.3)
Net finance costs	4.3	**23.0**	23.0
Loss on disposal of investment property		**0.6**	1.0
Share of joint venture profit	3.3b	**(181.8)**	(56.5)
Trading with joint venture adjustment		**15.5**	1.4
Tax charge/(credit)	2.5a	**32.7**	3.6
Cash flows from operating activities before changes in working capital		**86.4**	**38.6**
(Increase)/decrease in trade and other receivables		**(39.6)**	6.6
Decrease/(increase) in completed property and property under development		**70.1**	(8.6)
Decrease/(increase) in inventories		**0.3**	(0.7)
Increase/(decrease) in trade and other payables		**3.6**	8.8
Cash flows from operating activities		**120.8**	**44.7**

Cash flows consist of the following segmental cash inflows/(outflows): Operations £40.8 million (2014: £35.0 million), property (£48.3 million) (2014: (£16.0 million)) and unallocated (£6.9 million) (2014: £20.8 million). The unallocated amount includes Group dividends (£31.9 million) (2014: (£10.7 million)), tax payable of (£0.3 million) (2014: (£0.5 million)), investment in JVs (£52.4 million) (2014: (£105.4 million)), contributions to UNITE foundation (£1.0 million) (2014: (£0.9 million)) and amounts received from shares issued £112.6 million (2014: £96.7 million).

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	**2015 £m**	2014 £m
Cash	5.1	**27.0**	41.4
Trade receivables	5.2	**2.3**	1.9
Amounts due from joint ventures (excluding loans that are capital in nature)	5.2	**41.7**	28.1
		71.0	**71.4**

a) Cash

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

b) Trade receivables

The Group's customers can be split into two groups – (i) students (individuals) and (ii) commercial organisations including Universities. The Group's exposure to credit risk is influenced by the characteristics of each customer. The Group holds tenant deposits of £7.8 million (2014: £8.3 million) as collateral against individual customers.

c) Joint ventures

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