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UNITE

Announced Monday 17 September 2007

INTERIM RESULTS

2007

six months ended 30 June 2007



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Key themes

- **Strong progress against strategy**
 - Completion of USAF and strong fund performance over first six months
 - Deepened pipeline in London and high quality University markets
 - Capital Cities JV fully invested
- **Solid NAV growth**
 - 8.3% increase in adjusted, fully diluted NAV per share
 - Driven by development activity, rental growth and yields
- **Stable valuation outlook**
 - 5.7% average stabilised yield at June 07
 - Expect yields to be more resilient than other sectors in coming months
- **Intention to complete move to Developer – Co-investing asset manager model**
 - Unwind of UFO and associated asset management programme
 - Capital release to fund further development



Headline results

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	H1 2007	YE 2006	H1 2006	Change
Net Asset Value				
Basic NAV per share (IFRS)	417p	391p		↑ 6.6%
Adjusted NAV per share	463p	428p		↑ 8.2%
Adjusted NAV per share (fully diluted)	460p	425p		↑ 8.3%
Earnings				
Investment segment revenue	£35.9m		£49.5m	↓ 27%
Reported profit before tax	£29.2m		£61.5m	↓ 53%
Adjusted profit before tax	£2.7m		£2.3m	↑ 17%
Portfolio				
Portfolio value (including share of JVs)	£1.31bn	£1.09bn		↑ 20%
Completed and managed beds at end of period	34,652	33,944		↑ 2%
Adjusted gearing (net debt as % of adjusted NAV)	110%	78%		↑ 32%

2

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Market update

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Demand Update

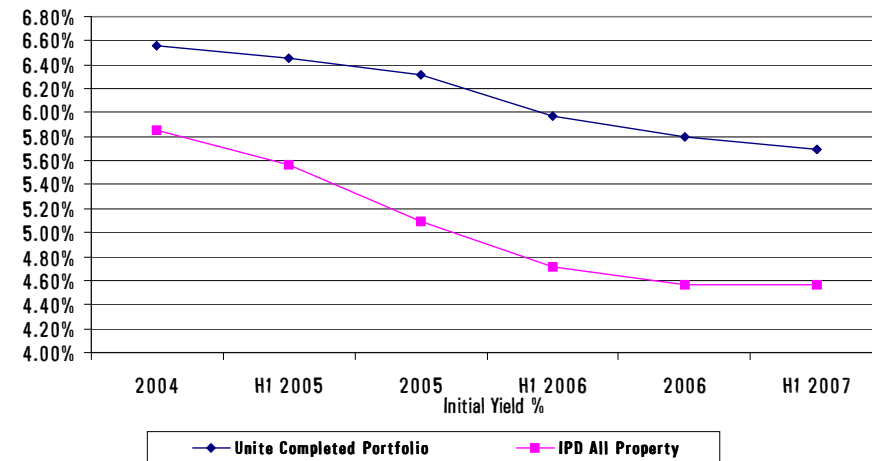
- Applications up 5.8% for 2007/08 academic year
- Demographics continue favourable trend
- Government target maintained at 50% of all 18-30 year olds entering Higher Education (current 43%)
- International students currently 14% of total

Competition and Supply

- General shortage of quality supply
- Universities upgrading or replacing existing stock – not net suppliers
- Private landlords constrained by housing shortage and Housing Act
- Competition remains regional/local

Investment Market

UNITE yield vs UK Commercial Property



- Increasing investment in the sector
 - £600m+ investment deals in last 12 months
 - Increase in funds targeting sector
- Shortage of quality investment product
- Quasi-residential characteristics
- Yields remain well above property sector average
- Student rents resilient to economic cycles

Delivering our strategy - USAF

- USAF second closing April 2007
 - Maximum £370m equity raised
 - Oversubscribed
 - Diversification benefits attractive
- Strong fund performance
 - Total return of 14%
 - £4.4m performance and management fees accrued in H107
- Strategic benefits underlined
 - £500m take-out capacity
 - Next tranche of assets to be transferred Q4 07
 - No redemptions until December 2009



Delivering our strategy –

Deepening pipeline with focus on quality

- Significant acquisition activity
 - 3,143 beds secured for future delivery

- Focus on London and high quality markets
 - Strongest and most resilient demand
 - Largest proportion of international students
 - Significant undersupply from specialist providers

- Delivering valuable planning consents
 - 11 achieved in period
 - Remains a key strength

Secured in the period		
	Beds	Est Value £m
London	760	188
Established cities	1,608	94
New Cities	775	72
Total	3,143	354

* Oxford, Cambridge, Reading

Planning consents in the period		
	Beds	Est Value £m
London	1,101	201
Rest of UK	2,134	138
Total	3,235	339

The Development portfolio

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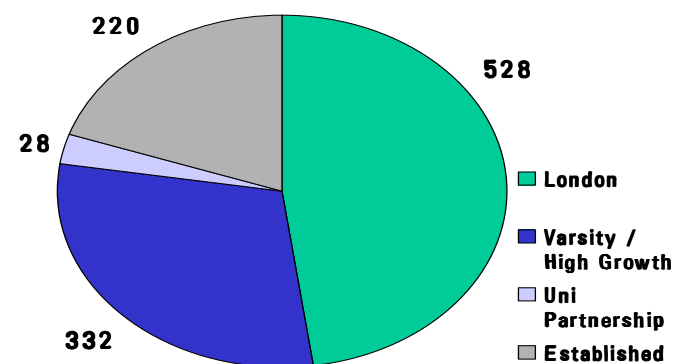
Secured Future Developments

	Beds	Completed Value £m
2007 UNITE	2,702	161
2007 - JV	558	56
	<hr/>	<hr/>
	3,260	217
2008 - UNITE	2,641	215
2008 - JV	729	169
	<hr/>	<hr/>
	3,370	384
2009+	7,834	725
	<hr/>	<hr/>
	14,464	1,326
	<hr/>	<hr/>
Reported at Prelims	11,478	865

Built-out adjusted NAV

	£m	Fd pps
NAV to recognise: wholly owned	125.2	102
NAV to recognise: JVs	20.6	17
JV partner share	(14.3)	(12)
	<hr/>	<hr/>
	131.6	107
Built-out adjusted NAV (↑ 13%)		<hr/>
		567
31 December 2006		<hr/>
		501

Secured Pipeline by value £m, 2008 +



6

2006

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Operating update –

Increasing Competitive Advantage

Operations

- Successful launch of on-line system (www.unite-students.com)
 - Back office efficiency improved
 - Customer web experience
 - CRM potential enhances marketing power
- ‘Customer Experience’ approach embedded
 - Sophisticated research tools
 - Dedicated brand standards team
 - Internet offer improved
- Reservations at 92% for forthcoming academic year

Development and Investment

- 3,260 new beds in 12 properties successfully opened
 - target maintained at 20% profit on cost
- 2,267 modular beds delivered (70%)
- Base Limited acquisition completed and integrated
- Livocity pilot on track

Financing

- Intention to unwind UFO
 - enables proactive management of properties
 - anticipated 2 year payback of exit costs

Net asset value growth

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	Jun 07 pps	Jun 06 pps	Dec 06 pps
NAV per share (IFRS)	417	365	391
NAV on development properties held in current assets	14	-	2
Provision for deferred tax	39	53	36
MTM of interest rate hedges	(7)	2	(1)
Adjusted NAV per share	463	420	428
Fully diluted	460	416	425
NNNAV per share	422	359	386
Gearing (on adjusted NAV)	110%	145%	78%
See through gearing	141%	154%	111%

	£m	pps	% NAVPS fd
Investment portfolio			
- Net rental growth	10	8	1.9%
- Yield compression	11	8	2.1%
Development surpluses	24	19	4.3%
	45	35	8.3%
Capital Programme:	Jun 07 £m	Jun 06 £m	Dec 06 £m
■ UNITE	159	35	120
■ JVs	89	67	82
	248	102	202
Note: includes share of JVs			

8

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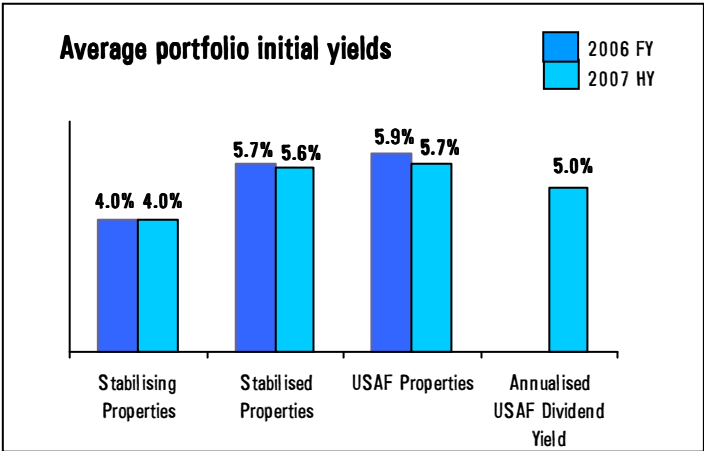
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The investment portfolio

Investment Assets							
	Stake	Beds	Stabilising	Stabilised	GAV	Debt	NAV
Wholly owned		15,794	224	515	739	(459)	280
Leased		3,015	-	-	-	-	-
USAF share	29%	11,759	-	154	154	(81)	73
UCC share	30%	1,958	-	58	58	(35)	23
USV Share	50%	2,126	26	25	51	(37)	14
		34,652	250	752	1,002	(612)	390
31 December 2006		33,944	277	680	957	(587)	370



Average Cost of Debt

UNITE wholly owned	6.7%
UCC	5.6%
USV	6.0%
USAF	5.2%

USAF / joint venture performance

USAF

- Successful second closing completes £370m third party investment commitment
- Half year total investor return of 14%
- UNITE performance and management fees of £4.4m, accrued at half year
- £80m - £120m of asset transfers expected in Q4 2007
- UNITE stake of 29.3% will be diluted through transfers. Expected long-term hold of c. 20%
- Restricted redemption rules give protection to investors

UCC

- Investment fully allocated. JV will operate 2,932 properties worth £394m on completion from Q4 2008
- Half year total return was 29%
- UNITE management fees of £0.7m accrued in the half year
- Promote payable at end of JV life in 2013

USV

- Plaza site in Leeds now stabilised and to be transferred to USAF in 2007
- UNITE promote on Leeds exit of £0.8m
- Final phase of Sheffield property now open

Portfolio performance

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H1 2007 Performance (including share of JVs)

	H1 07 £m	H1 06 £m
Gross rental income	41.6	51.2
Direct operating costs	(12.4)	(13.5)
	29.2	37.7
Rentals under sale & leaseback assets	(3.5)	(3.4)
JV fees – Management	1.7	0.4
- Performance	3.4	-
Portfolio overhead	(5.6)	(4.9)
Investment result before interest	25.2	29.8

2007 / 08 Academic Year

	07 / 08	06 / 07
Total beds in operation	37,682	33,944
Reservations (% available rooms)	92%	91%
50+ week tenancies	7,218	6,428
Like-for-like revenue growth	6.2%	5.8%

Adjusted profit before tax

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	HI 2007 £m	HI 2006 £m
Investment result before interest	25.2	29.8
Net interest charge (inc. share of JVs)	(18.0)	(22.0)
Portfolio Profit	7.2	7.8
Non rental activities (including pre contract costs)	(1.2)	(2.5)
Corporate costs	(3.3)	(3.0)
Adjusted profit before tax	2.7	2.3
Major IFRS items:		
Revaluation of investment portfolio/JVs	23.6	55.1
Ineffective hedge charge	2.9	4.1
Profit before tax per income statement	29.2	61.5

Unite finance one plc bond

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Strategy behind redeeming UFO Bond :

- Free up properties to allow proactive asset management strategies
- Release of capital through external sale and transfer to USAF that can be redeployed to higher value activities
- Conclude move to Development – Stabilising – Co-investing asset management model
- Reduction in gearing post asset sales

Outline of the UFO Portfolio

- 46 properties with a mix of leased, direct let and university nominations agreements
- Market value of assets of £452m as at 30 June 2007
- Market value of debt at 13 September 2007 of £285m
- Market value of debt of £280m as at 30 June 2007 disclosed in NNAV (nominal value of £265m)
- Average interest rate on debt of 6.7% escalating over time as higher rated bonds amortise

13

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UNITE FINANCE ONE PLC BOND

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Status of Transaction

- Consent solicitation setting out redemption proposals issued to bond holders 17 September 2007
- Proposals have been approved by a special committee of the Association of British Insurers representing approximately 57% of the principal amount of the Bonds
- The proposed transaction is expected to complete in November 2007
- Redemption to be financed by a bridge facility provided by Morgan Stanley
 - approved 12 September



14

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UFO redemption – Estimated Financial Impacts

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	Adjusted NAV		Market Value	
	30 June		13 September	
	£m	pps	£m	pps
Redemption cost to current market value	25.8	20.6	25.8	20.6
Current market value adjustment	20.4	16.3		
Unamortised UFO costs write off	6.3	5.0	6.3	5.0
Transaction and other costs	4.6	3.7	4.6	3.7
Estimated NAV impact	57.1	45.6	36.7	29.3
Future tax benefit	(15.7)	(12.6)	(15.7)	(12.6)
	<u>41.4</u>	<u>33.0</u>	<u>21.0</u>	<u>16.7</u>

- Initial impact to raise gearing from 110% to 133%

Summary and outlook

- Strong progress against strategy in HI 07
- Valuable, secured pipeline for delivery over next 3 years
- Intention to unwind UNITE Finance One
 - Completes transition to new business model
 - Releases capital for investment into development activities
- Expect student accommodation yields to be resilient over remainder of 2007
 - Possible further opportunities in current development market



appendice

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- H1 07 impact of USAF
- UNITE top 10 Markets
- Our property portfolio
- NNAV calculation
- Debt
- Completed Properties 2007



H1 impact of USAF

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H1 2007 performance (including share of JVs)

	Reported H1 07 £m	Estimated USAF impact	Proforma H1 07 £m
Gross rental income	41.6	14.3	55.9
Direct operating costs	(12.4)	(4.2)	(16.6)
Rentals under sale & leaseback assets	(3.5)	-	(3.5)
JV fees – Management	1.7	(1.0)	0.7
– Performance	3.4	(3.4)	-
Portfolio overhead	(5.6)	-	(5.6)
Investment result before interest	<u>25.2</u>	<u>5.7</u>	<u>30.9</u>
Net interest charge	<u>(18.0)</u>	<u>(5.4)</u>	<u>(23.4)</u>
Portfolio profit	<u><u>7.2</u></u>	<u><u>0.3</u></u>	<u><u>7.5</u></u>

18

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Unite top 10 markets

2007 Rank	2006 Rank	City	Completed Beds (07/08)	Completed Beds (06/07)	FT Student Numbers (05/06)	Projected Market Share	3Yr Growth in FT Student Numbers
1	1	Sheffield	3,521	3,132	40,390	9%	6%
2	2	Bristol	3,357	3,080	33,865	10%	10%
3	4	London	3,133	2,791	218,405	1%	14%
4	3	Liverpool	2,833	2,833	37,080	8%	8%
5	6	Leeds	2,213	2,213	47,535	5%	6%
6	5	Manchester	2,083	2,345	56,785	4%	9%
7	7	Cardiff	1,610	1,610	26,477	6%	5%
8	8	Glasgow	1,582	1,582	46,470	3%	3%
9	9	Portsmouth	1,402	1,402	14,525	10%	4%
10	10	Aberdeen	1,301	1,301	18,590	7%	3%
			23,035	22,289	540,122	4%	



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Our property portfolio

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	Beds	Properties	Completed Value £m
Completed Portfolio:			
2006 and prior	14,292	62	663
2007 acquisitions	1,627	6	82
Joint venture properties	3,992	12	283
USAF Properties	11,759	33	525
	31,670	113	1,552
Beds under management	3,015	8	-
Development Portfolio:			
2007 – UNITE	2,702	8	161
2007 – JV	558	4	56
2008 – UNITE	2,641	11	214
2008 – JV	729	4	169
2009+	7,834	24	725
	14,464	51	1,326
	49,149	172	2,878

20

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	30 June 2007	31 Dec 2006
	£m	£m
Net assets	514.4	481.2
Valuation gains not recognised on properties held at cost	17.9	2.2
Fair value of fixed rate debt	(10.2)	(10.4)
Deferred tax	(2.1)	2.5
NNAssets	<u><u>520.0</u></u>	<u><u>475.5</u></u>
NNNAV per share	422p	386p

DEBT

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	30 Jun 2007	31 Dec 2006
Net Debt	£627m	£411m
Adjusted gearing	110%	78%
Adjusted see through gearing	141%	111%
Average life of investment debt	7.6 yrs	8.0 yrs
Average cost of investment debt	6.7%	6.7%
%hedged/fixed	87%	72%



Completed properties 2007

**THE ANVIL,
Sheffield**



**Charles Morton court,
London**



**Callice Court,
coventry**



Corfe House, Poole



**Panmure Court,
Edinburgh**



**Piccadilly
Point,
Manchester**



**Phoenix Court,
Bristol**



**William Morris halls,
Loughborough**



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