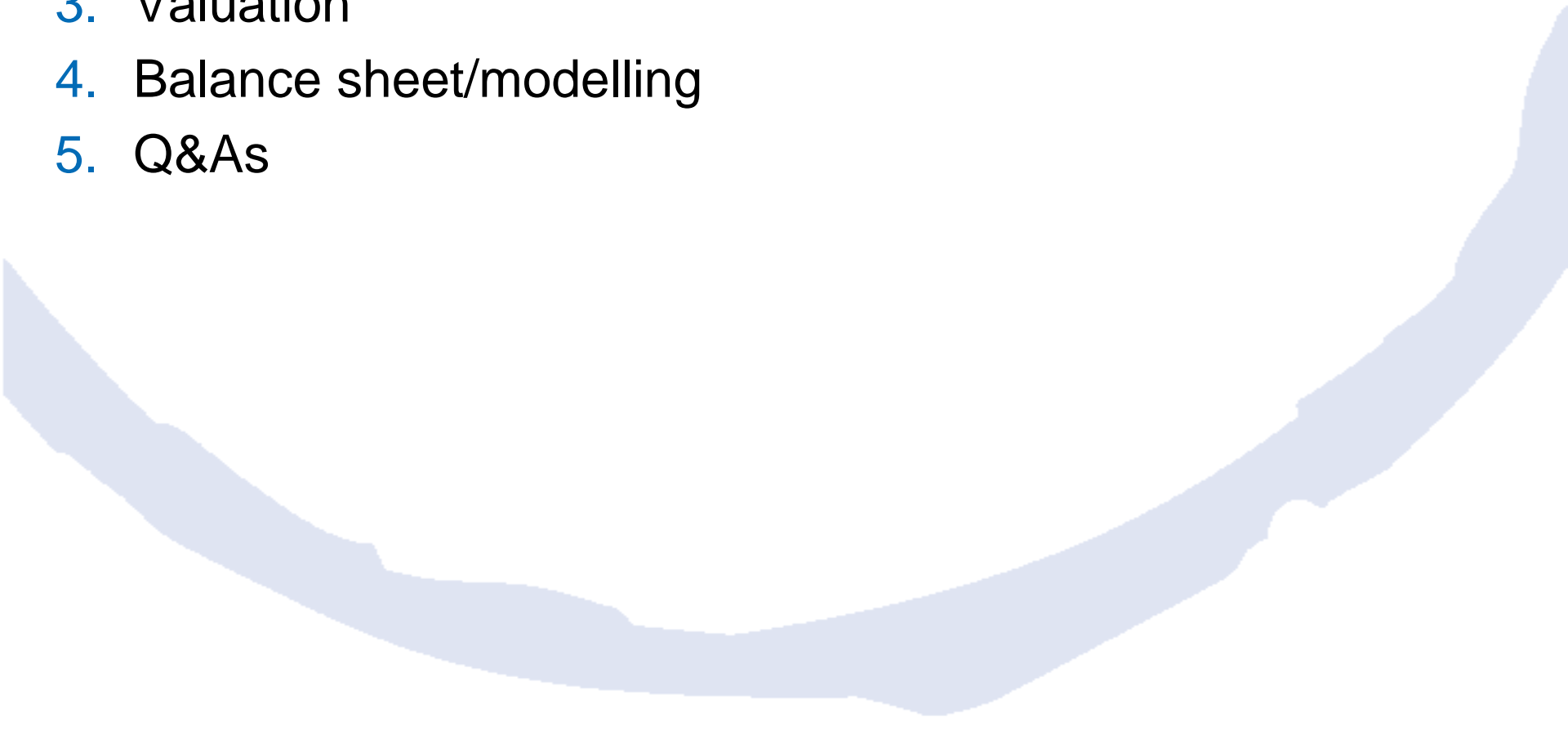


# UNITE Group analyst session

## Tuesday 28 June

# Agenda

1. Strategy and positioning
  2. The UNITE brand
  3. Valuation
  4. Balance sheet/modelling
  5. Q&As
- 

- Effectively aligned to market dynamics
  - Investment focused in strongest student locations, particularly London
  - Financial capacity and in-house expertise to undertake attractive developments
  - Half of London development pipeline positioned at value end of spectrum
- Intent to grow NPC and NAV sustainably over time
  - Portfolio well positioned for continued rental growth
  - Numerous accretive asset management opportunities over time
  - Selective development activity accretive to future NAV and earnings
- Will hold greater proportion of portfolio in future
  - Supports growth in NPC
  - Increases London weighting to c.50%
  - Congruent with USAF objectives
- Visibility of NPC growth supports reinstatement of dividend in 2011

# Strategy

**Target low double-digit total returns,  
with modest risk**



**Development**



**Capital growth**



**Income**

**Focus on London and other high-growth markets**



Development

## Development strategy post 2009 placing

- c. 4,000 bed pipeline in London
- mix of product, price points and location
- clusters (central) and more affordable product (well-located zone 2/3 sites near transport hubs)
- Target 9% yield on cost



# London – progressing in line with plan

## 2012-14 pipeline

### Development

	Beds	Development cost				Forecast	Yield on	Cluster Rent	%	Stabilised	NAV to
		Land	Build	Other	TDC	NOI	cost	(2010/11)	Clusters	value	go
		£m	£m	£m	£m	£m	%	per week		£m	Dec-10
								£			£m
<u>Secured with planning</u>											
Moonraker Alley, London SE1	671	32	34	9	77	7.0	9.5%	210	81%	106	23
268 Waterloo Rd, London SE1	146	5	8	3	16	1.4	9.0%	207	94%	20	4
Hale Village Phase 2, London N17	524	6	23	3	32	2.9	9.6%	146	100%	44	9
<u>Secured subject to planning</u>											
Site A, London	550	24	27	7	58	5.0	8.6%	195	93%	73	15
Site B, London	902	12	42	8	62	5.6	9.0%	139	94%	82	12
<b>Total 2012-14 Pipeline</b>	<b>2,793</b>	<b>78</b>	<b>134</b>	<b>30</b>	<b>245</b>	<b>21.9</b>	<b>8.9%</b>			<b>325</b>	<b>63</b>
<i>Per bed £k</i>		28	48	11	88	8				116	

### Rental comparables

		Per Week	
		£	
Moonraker	Great Suffolk Street	215	OCB
Waterloo Road	Great Suffolk Street	215	OCB
Hale Village 2	Emily Bowes Court	155	USAF
Glasgow	Gibson Street	141	USAF
Site A	Beaumont Court	195	UCC
Site B	Poland House	145	Wholly owned



# Regions

## Development

- Selective activity to date, where warranted by returns
- Total Capex committed outside London = £92m currently, falling to £26m next year (10% of total)
- Delivering three schemes for 2011/12 academic year – Glasgow, Manchester and Reading – all on track
- One further project in Glasgow opening 2012/13



# Future strategy

## Development

- 1,200 beds to secure in London by end 2011 (PC 2013 & 2014)
- Development opportunities remain for foreseeable future
  - c. £100m pa to be invested
- Funded through disposals of mature assets and recurring cashflows over time
  - £100-150m disposals targeted by end 2012
- Likely balance 60/40 London/regions
- Selective opportunities in regions:
  - High-growth markets
  - Affordable price points





# Overview

## Capital growth

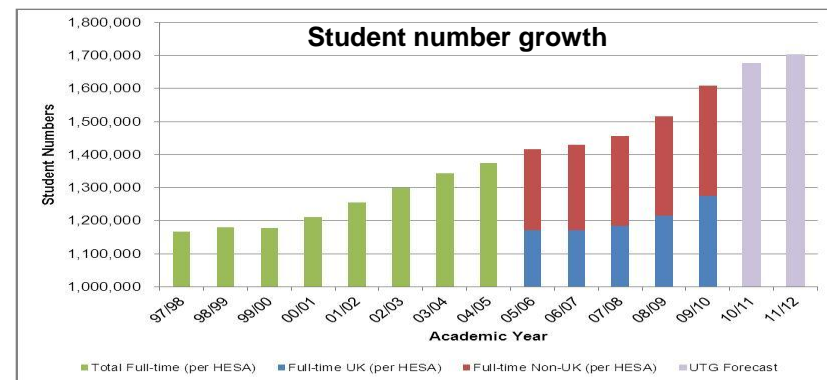
- Market fundamentals underpin robust rental growth outlook
- UNITE positioned to outperform broader student accommodation market:
  - London focus
  - High quality locations due to first mover advantage
  - Asset management opportunities
  - Brand platform



# Demand still exceeds supply

## Capital growth

- Student numbers doubled since early 1990s
- Significant excess demand for university places – c. 160,000 in 2011
- Historic growth in accommodation supply has not kept pace
- Ratio of 1<sup>st</sup> year and international students to purpose-built beds:
  - Regions: 1.5:1
  - London: 2.8:1

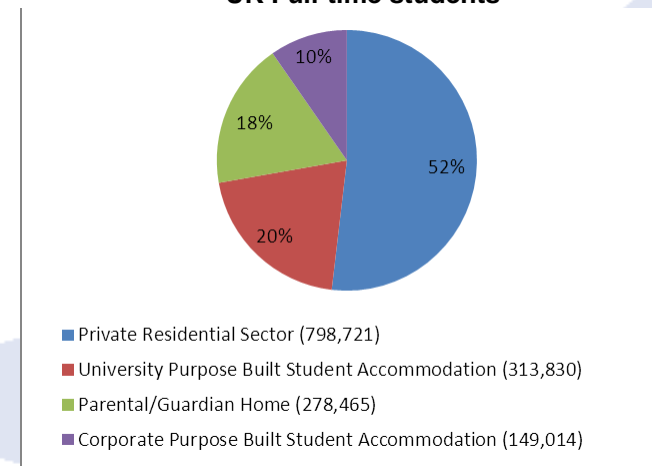


Source: King Sturge

## Historic supply growth

	September 2005 /000s	September 2009 /000s
University PBSA	312	314
Corporate PBSA	91	149
<b>Total PBSA</b>	<b>403</b>	<b>463</b>

## UK Full-time students



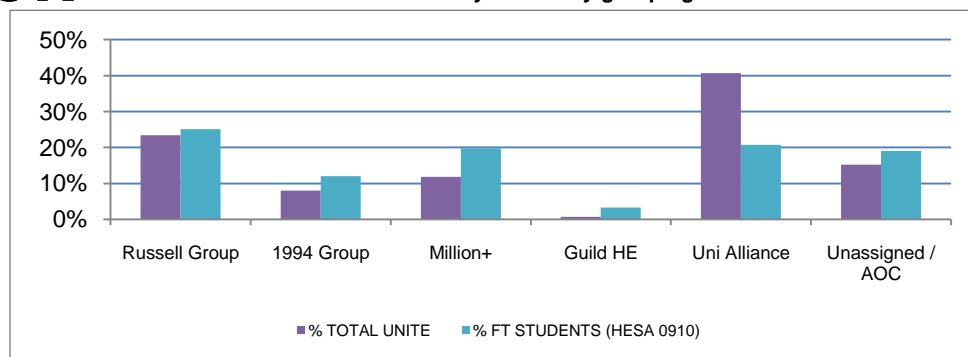
Source: HESA 2008/09; King Sturge Research 2010



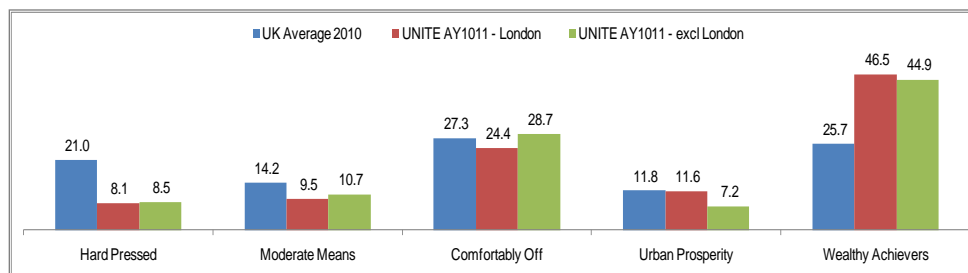
## Capital growth

# Demand outlook

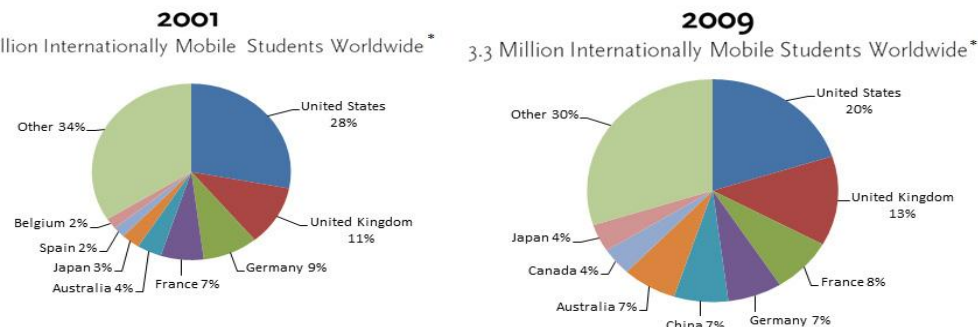
UNITE customer base by University grouping



UNITE UK customer base % of total



International student mobility



Source: Education at a Glance, OECD, Paris (2010)

- Student number outlook broadly flat from 2013 – in-built growth for next two years
- University winners and losers
- London growth c. 2.8% pa in medium term
- UNITE resilient customer base
  - UK customer base affluent
  - 46% of customers non-UK; 70% in London
  - Only 5% of portfolio revenue in “at risk” category
- Immigration policy limited impact on UNITE
  - Focus on non-degree study
  - Of UNITE’s 40,000 customers, less than 400 are considered ‘at risk’.



## Capital growth

# Supply outlook

- New supply in regions limited for next few years. Development focus in London
- Significant constraints to new accommodation supply persist:
  - Debt funding constraints (max. 70-75% LTC with preference for University agreements)
  - Planning policy tougher – affordable housing requirements in most London boroughs
- Identifiable pipeline of London supply totals c. 20,000 bed spaces:
  - Review of scheme viability suggests new supply of c. 14,000 bed spaces by 2015
  - UNITE share of new pipeline 20-25%

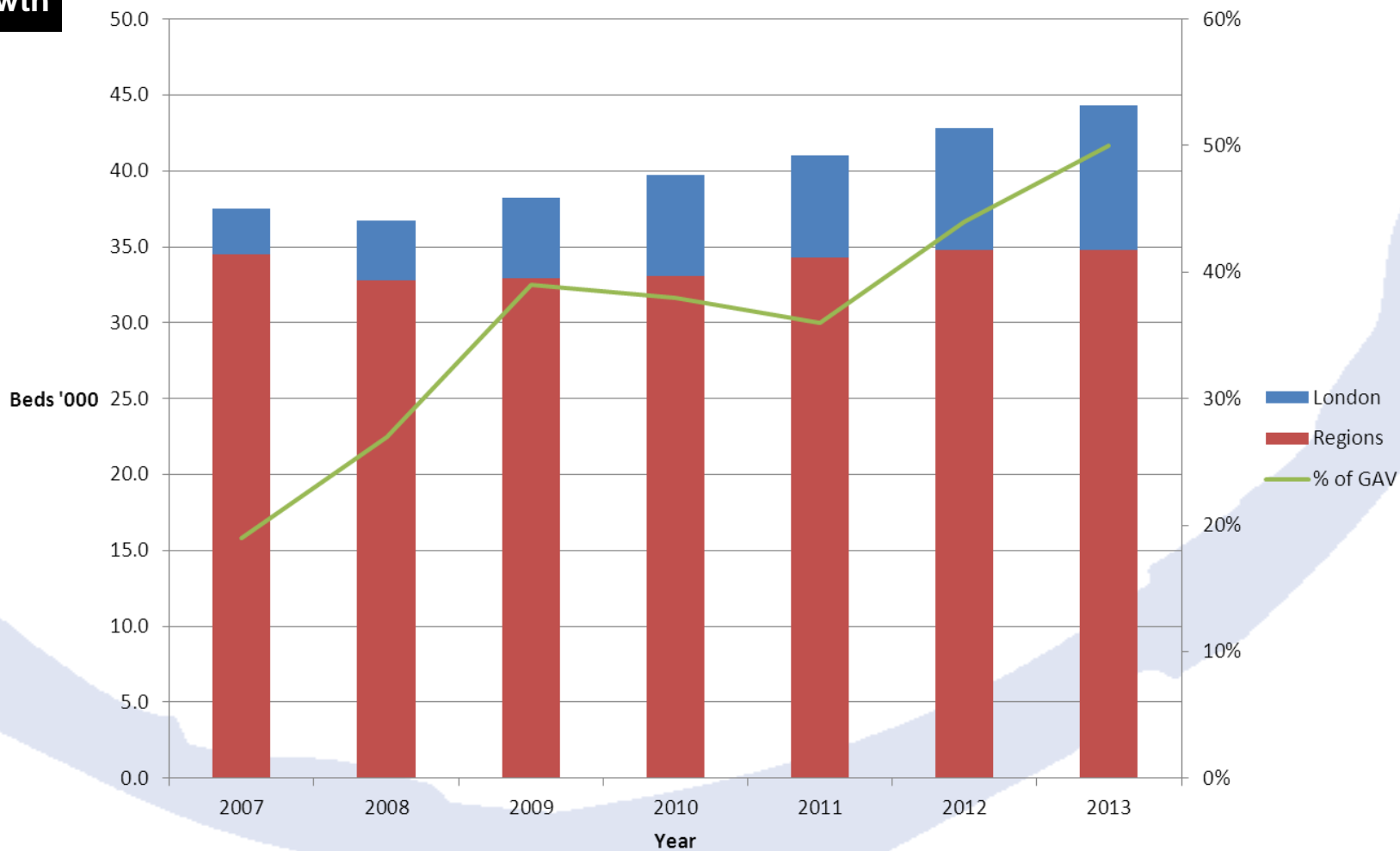
Beds	UNITE	Other	Total
Under construction	1,493	5,915	7,408
Planning consent	-	6,608	6,608
Planning application	1,510	4,921	6,431
TOTAL	3,003	17,444	20,447
Adjustment for unviable schemes	-	(6,523)	(6,523)
UNITE forecast	3,003	10,921	13,924



Capital growth

# London focus

London focus





**Capital growth**

# London market overview

Operators > 1,000 beds	Existing beds	Total beds (including under construction)		Total	PBSA market share %
		No. schemes	No of Beds		
UNITE Group	6,508	4	1,493	8,001	23.2
IQ	876	4	1,804	2,680	7.8
OPAL	2,562	0	0	2,562	7.4
Nido	2,249	1	272	2,249	6.5
Berkeley First	0	4	1,945	1,945	5.6
Shaftesbury Housing	1,907	0	0	1,907	5.5
Urbanest	220	2	822	1,042	3.0
Liberty Living	1,014	0	0	1,014	2.9



# Affordability (Central London)

**Capital growth**

## UNITE – Studio, Woburn Place, Bloomsbury

What do I get? Where is it? Property features How much?

Find how much it costs to stay with us in 2011/12

City: **LONDON**  
 Property: **Woburn Place**  
 Tenancy: **42 WEEKS 5 DAYS START**  
 Room type: **STUDIO**  
 Price: **429 - Limited Availability**  
 Instalments: **3 - Direct Debit**

**>> CALCULATE NOW**

1. Refundable deposit - this is to reserve your room. If you cancel before you move in, we keep £250.00 of it. See our cancellation policy for full details. We keep the deposit while you live with us, and at the end of your tenancy, assuming the room and its belongings (including the shared kitchen and lounge areas) are in the same condition as when you moved in, and you've paid all your rent, you'll get it right back.

2. Instalment fee - this covers our admin costs if you want to split your payment up over 8 or 10

**Rent: £18,300**

**Adj. 51-week all inclusive rent: £20,400**

Total Charges: £18324.40 surcharge will be added.  
 Deposit: £500.00

Our fees explained

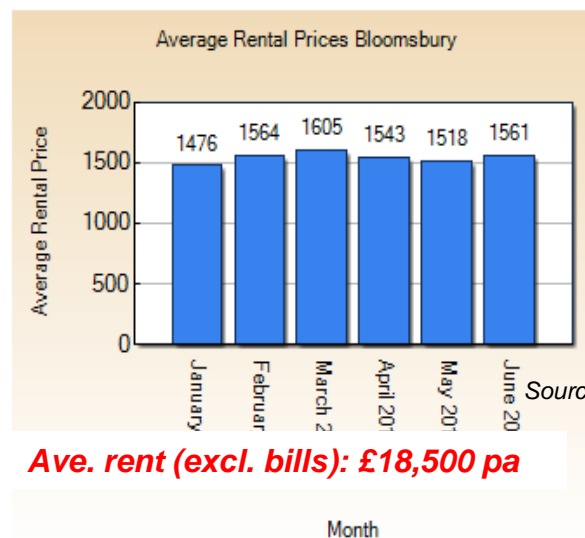
Source: [www.unite-students.com](http://www.unite-students.com)

**Plus:**

- ✓ Flatscreen TV and 2Mb Wi-Fi internet
- ✓ All utilities and contents insurance included
- ✓ City support teams including maintenance
- ✓ Front page on Google search engine
- ✓ £500 TDPS registered deposit
- ✓ Fully furnished with study facilities
- ✓ Start dates aligned to term dates
- ✓ Simple online booking
- ✓ Student community
- ✓ No barriers for international students
- ✓ Flexible payment options

## Private rented studios, Bloomsbury

RRPI Bloomsbury - Average Rental Prices



**Ave. rent (excl. bills): £18,500 pa**

**Plus, typically:**

- × Bills and utilities on top
- × No onsite or local presence; 3<sup>rd</sup> party maintenance
- × Not listed as student accommodation in Google
- × 1 to 3 month's rent as deposit
- × Maybe unfurnished
- × Start dates not aligned to term dates
- × Rental agents and offline reservations
- × Mixed community
- × International students require references



# Affordability (London Zone 2)

**Capital growth**

## UNITE – 2 bed flat, Wedgwood Court, Holloway

What do I get? Where is it? Property features How much?

Find how much it costs to stay with us in 2011/12

City: LONDON  
 Property: Wedgwood Court  
 Tenancy: 41 WEEKS STARTING 23RD  
 Room type: TWO BED FLAT  
 Price: 239 - Sold Out  
 3 - Direct Debit

» CALCULATE NOW

Instalments

Instalment

Instalment 1

Instalment 2

Instalment 3

Total Charges :£9799.00

Deposit :£250.00

1. Refundable deposit - this is to reserve your room. If you cancel before you move in, we keep £250.00 of it. See our cancellation policy for full details. We keep the deposit while you live with us, and at the end of your tenancy, assuming the room and its belongings (including the shared kitchen and lounge areas) are in the same condition as when you moved in, and you've paid all your rent, you'll get it right back.

2. Instalment fee - this covers our

pay by credit card, a 1.5% surcharge will be added.

**Rent: £19,600**

**Adj. 51-week all inclusive rent: £22,900**

**Plus:**

- ✓ Flatscreen TV, 2Mb internet and Wi-Fi common area
- ✓ All utilities and contents insurance included
- ✓ City support teams including maintenance
- ✓ Front page on Google search engine
- ✓ £250 each TDPS registered deposit
- ✓ Fully furnished with study facilities and ¾ size beds
- ✓ Start dates aligned to term dates
- ✓ Simple online booking
- ✓ Student community
- ✓ No barriers for international students
- ✓ Flexible payment options

Source: [www.unite-students.com](http://www.unite-students.com)

## Private rented 2 bed properties, Holloway

### Property Rents in Holloway by Number of Bedrooms

	No. of properties	Average rent
One bedroom	1,540	£1,697 pcm
Two bedrooms	1,940	£2,093 pcm
Three bedrooms	839	£2,878 pcm
Four bedrooms	385	£3,853 pcm
Five bedrooms	115	£5,372 pcm

Source: [www.home.co.uk](http://www.home.co.uk)

**Ave. rent (excl. bills): £25,100 pa**

**Plus, typically:**

- x Bills and utilities on top
- x No onsite or local presence; 3<sup>rd</sup> party maintenance
- x Not listed as student accommodation in Google
- x 1 to 3 month's rent as deposit
- x Maybe unfurnished
- x Start dates not aligned to term dates
- x Rental agents and offline reservations
- x Mixed community
- x International students require references





Capital growth

# Asset Management initiatives

## Refurbishments

- Adding value
- 10 sites refurbished in past 3 years
- Two properties to be refurbished before September 2011 (Capex spend £3m)

## Extensions & Conversions

- Opportunities to extend in urban properties
- 20% commercial portfolio vacant – 9% forecast by end year
- c. 700 beds potential over 3 years (UNITE share c. 50%)

## University agreements

- Periodic opportunities for lease re-gear
- Long term relationships underpin rental growth



- Long-term
- Short-term
- Direct let



**Income**

# Growing recurring profits

- Co-investment strategy has been successful
- But dilutive impact on earnings – low recurring profit
- We plan to step up the income component of returns through:
  - Rental growth
  - Growing portfolio and proportion we own
  - Seeking cost efficiencies
  - Target overheads less fees as % of GAV of c. 80 bps by 2014 (current level 120bps)
- Supports planned reinstatement of dividend in 2011

# Capital structure

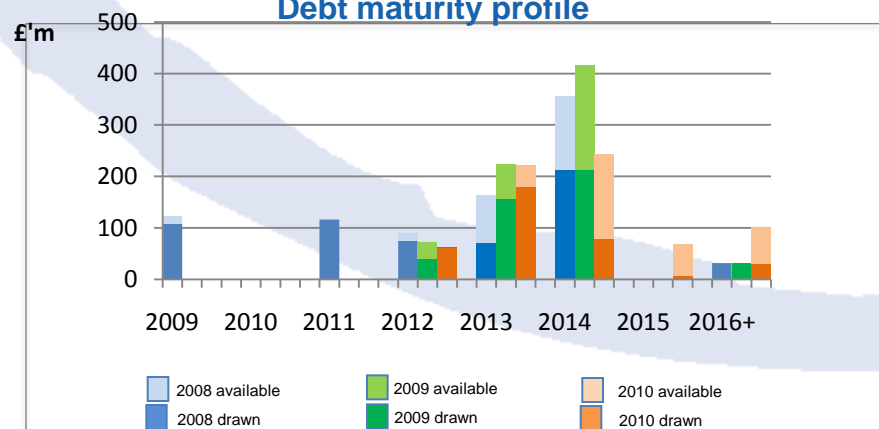
## Debt

- Target gearing 100% - 130%
  - 71% at 31 December 2010
  - Will operate towards bottom end of range on built-out basis
- Proactive approach to debt requirements
- New finance and tackling debt maturities
  - £200m new facilities in 2010
  - £120m facilities restructured/extended
  - Continuing engagement through 2011
- Financing strategy must match asset management strategy

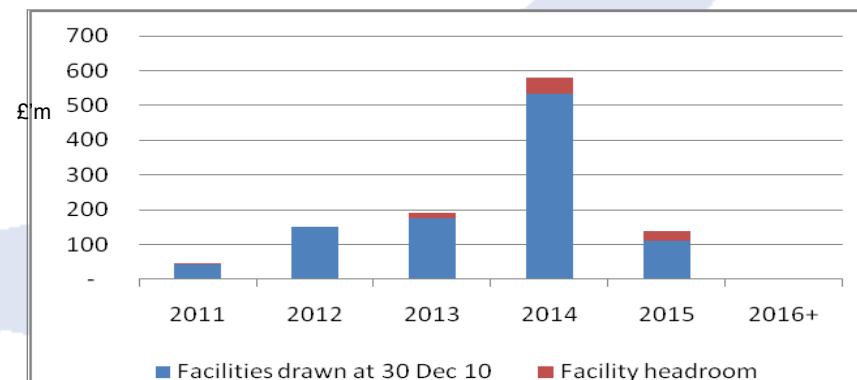
## Funds and JVs

- Important part of funding historic growth and managing balance sheet effectively
- Management fees and performance fees
- USAF now has desired scale and diversification
  - £1.2bn GAV across 17 cities
  - Secondary market emerging
  - 'Core plus' strategy
- Strategy for UCC, OCB and USV a 2011 priority
  - Seeking to simplify and extend
- Increasing ownership share of portfolio over 2-3 years

Debt maturity profile



Debt maturity profile – co-investment vehicles



# Leveraging the UNITE brand

The heart of  
student living



**Overview**



**Customers**



**Operations**



**Relationships**

# Overview – Knowledge and expertise



**Property  
Management**

**Sales**

**Service**

**Facilities  
management**



**Development**

**London programme**

**Affordable product**

**Regions**



**Asset  
Management**

**City strategies**

**CAPEX**

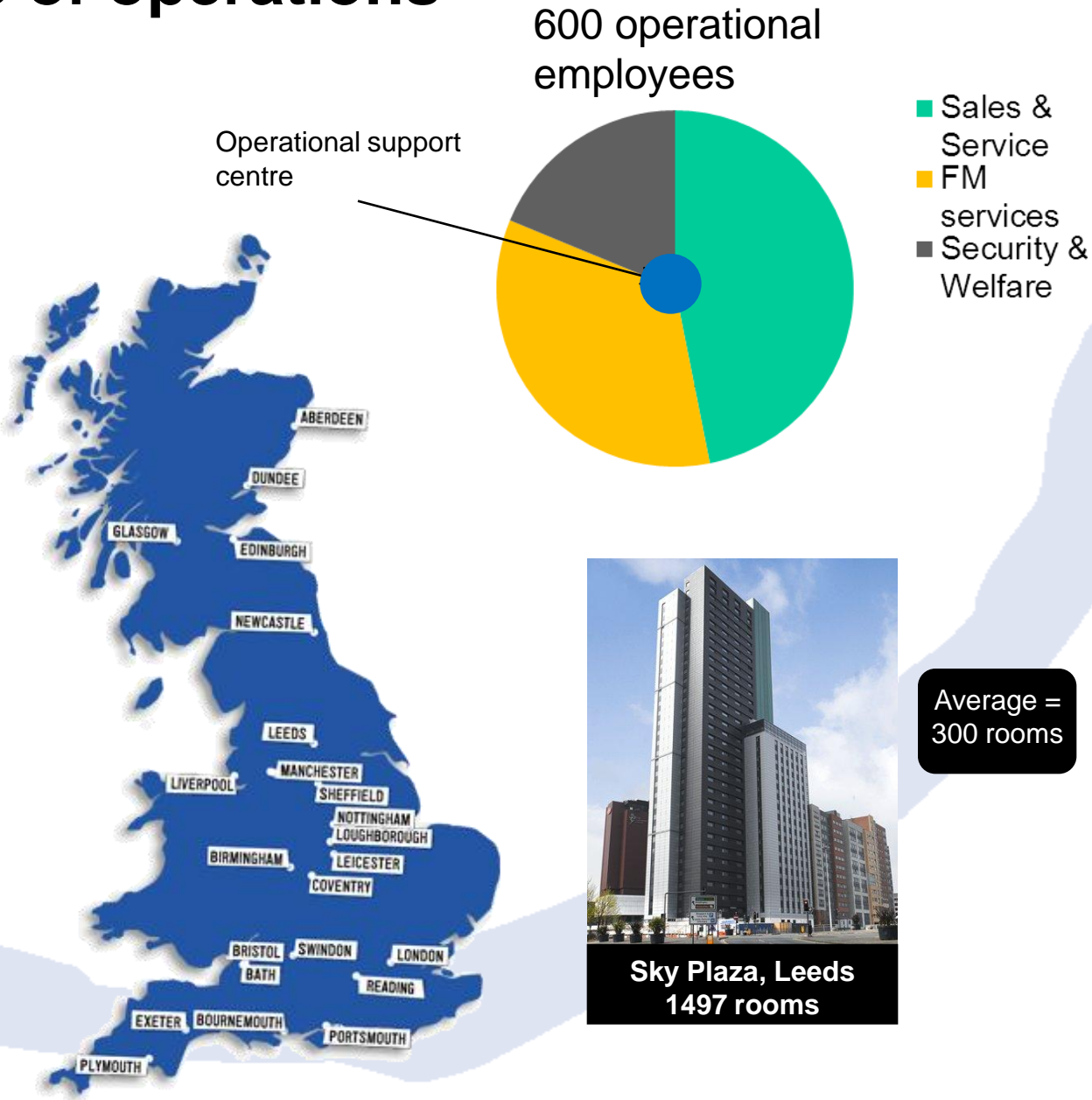
**Value-added  
initiatives**

**Acquisitions &  
disposals**

# Overview – Scale of operations

Company	Current beds
UNITE	40,000
UPP	20,000
Opal	16,000
Liberty Living	15,000
iQ	4,500
Derwent Living	4,000

Total beds	41,191
2011 beds	1,275
Properties	136
London beds	6,779
London properties	35
Cities	23



# Overview - history

Beds

4,000



Financial



USAF

JVs

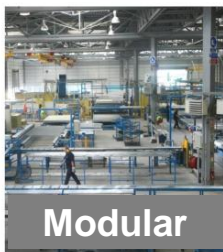
2001

2011

Products

Clusters

Pods



London

Bowen spec

Studios/micro-flats

Service

Uni agreements / leases

Direct let

Welcome

Login

User ID:

Password:

Login

Blueprint



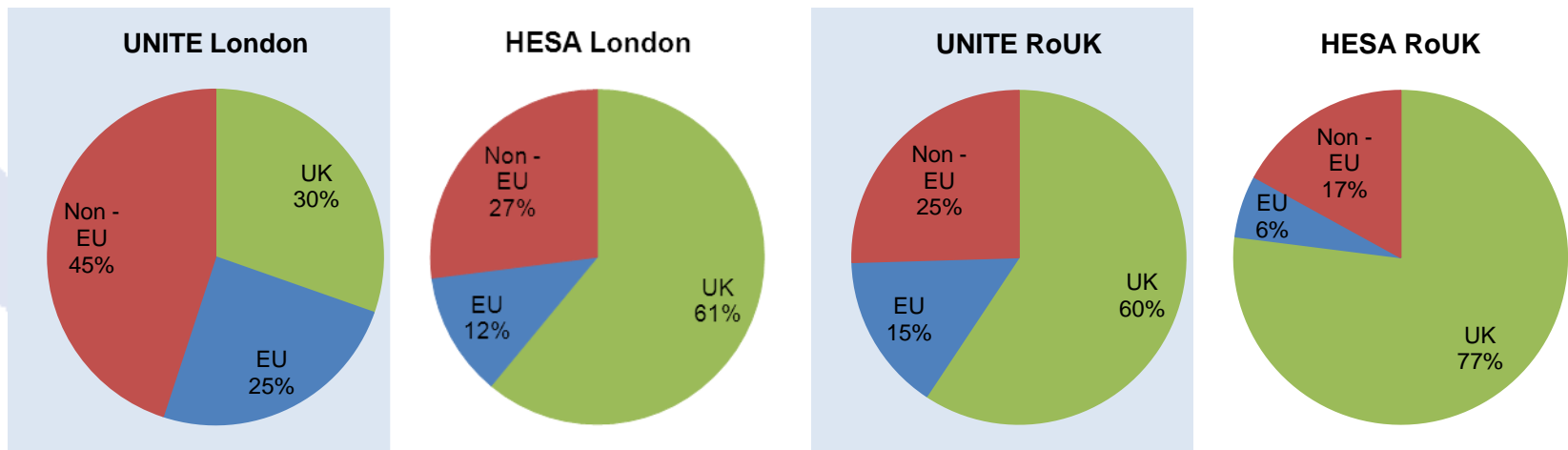
Contact Centre

FM service



# Customers – understanding

- Focus groups, real-time pulse surveys, conjoint analysis, research and metrics
- International study in 2011, use of agents
- Segmentation analysis, tracking evolution of demographic
- Understanding of decision-making process

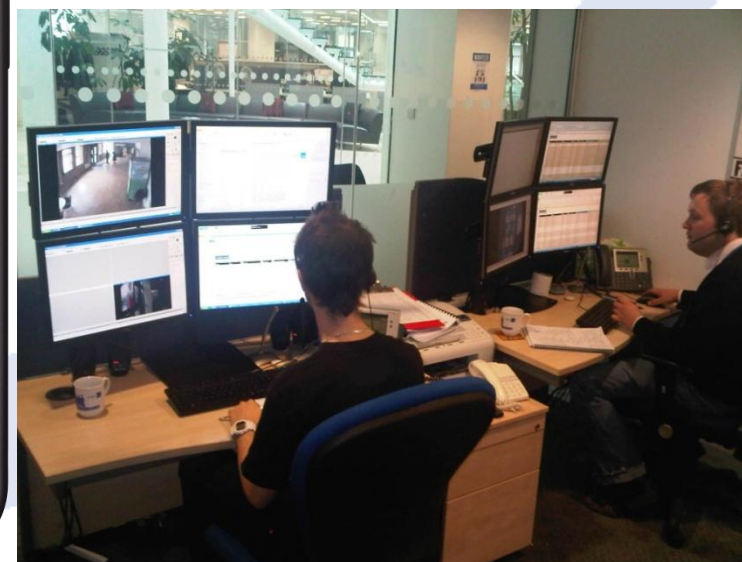
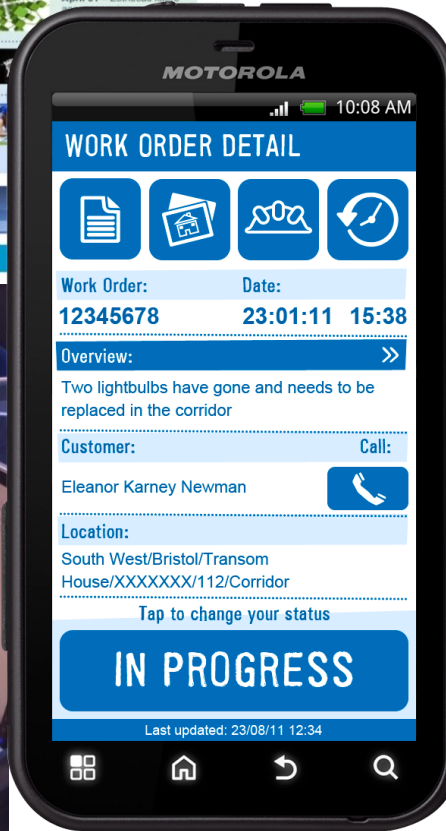
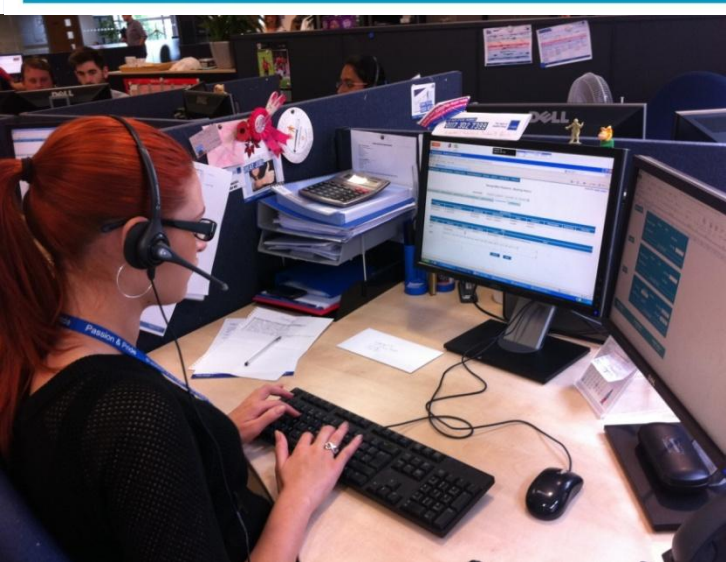




# Customers – solutions



- Online booking/payments
- Wi-fi
- Mobile apps
- 24/7 contact centre
- Customer portal



# Operations – Specialist business

Sales

Service

Facilities  
management

1.28m unique  
visitors to  
website in  
2010

1,000 more  
beds in  
London than  
largest  
hotelier

140,000  
maintenance  
jobs per year

We process  
112,000  
payment  
transactions  
per year

182,000 calls  
to contact  
centre p.a. /  
94,000 in 10-  
week period

70% online  
booking

40,000  
customers  
moved in over  
summer

Security - 200  
incidents per  
night – peace  
of mind for  
parents

2,700 false fire  
alarms dealt  
with in 2010

UNITE  
customers  
come from  
168 countries;  
12% are  
Chinese

# Operations – How we do it

## Sales

### People

- Training – 1,312 training days 2010
- 120 FM staff taking NVQs
- UCAS deal gives us access to 647,000 applicants
- Unprompted brand awareness at 32% - next biggest competitor at 11%

## Service

### Systems

- UBS online booking platform
- Bespoke maintenance systems
- Mobile applications

## Facilities management

### Infrastructure

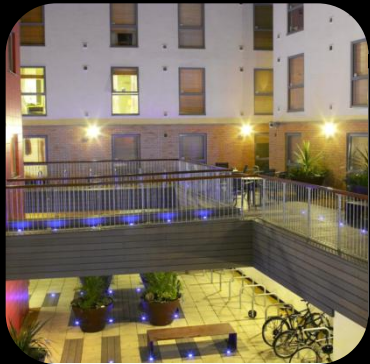
- Security – incident management process
- Fire
- Call points
- CCTV
- Contact Centre

# Relationships – leveraging brand strength

Sales

Service

Facilities  
management



**Developers**

Trusted partner,  
able to work off-  
market



**Planning  
Authorities**

Faster consents  
as regs tighten;  
engagement  
programme



**Banks**

Securing and  
extending debt  
facilities



**Universities**

Agreements with  
40 HEIs; survey  
and engagement  
programme

# Summary – leveraging brand strength



## Development

Insight, market knowledge, expertise – right product, place & price



## Capital growth

Customer insight; sales & operational capability; market knowledge and presence



## Income

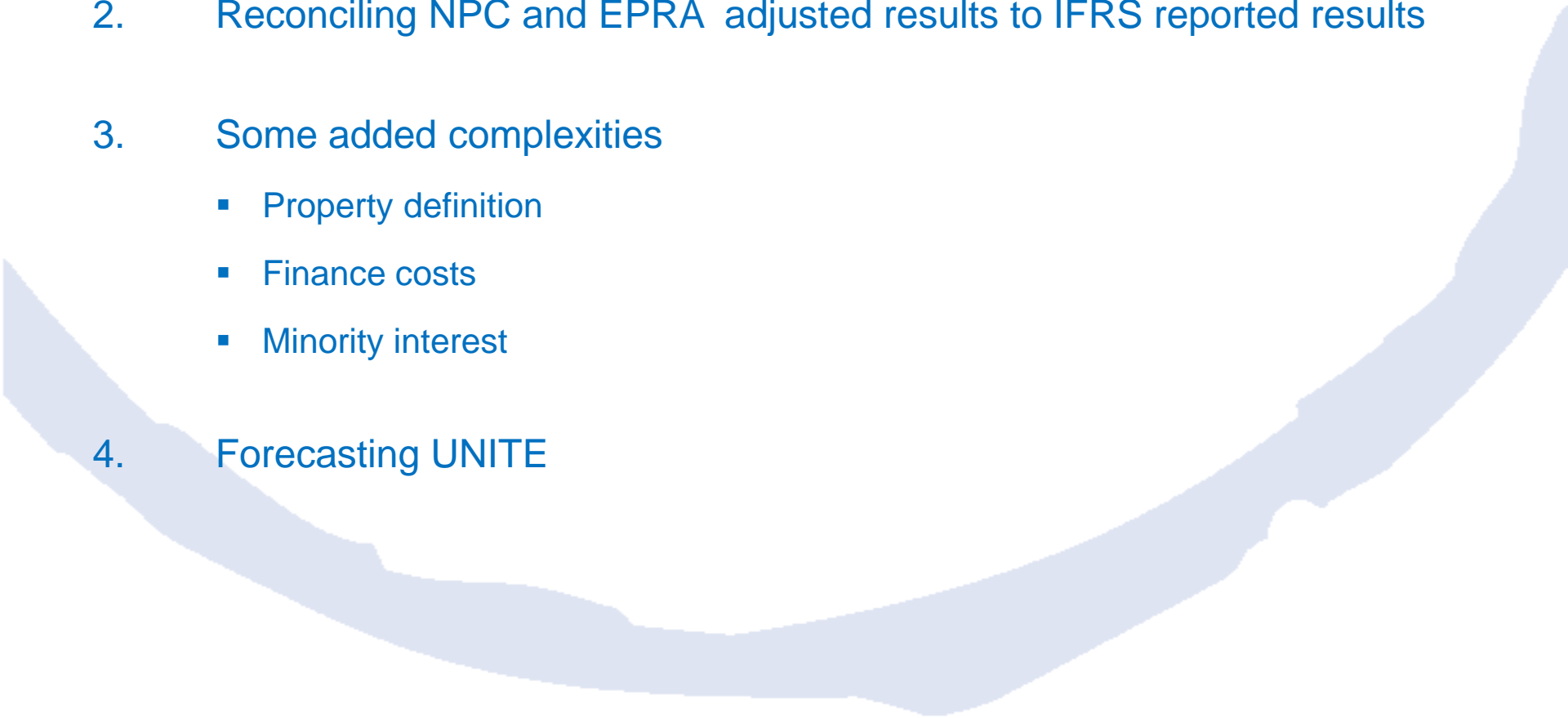
Performance platform; investment in technology

# Neil Armstrong – Knight Frank



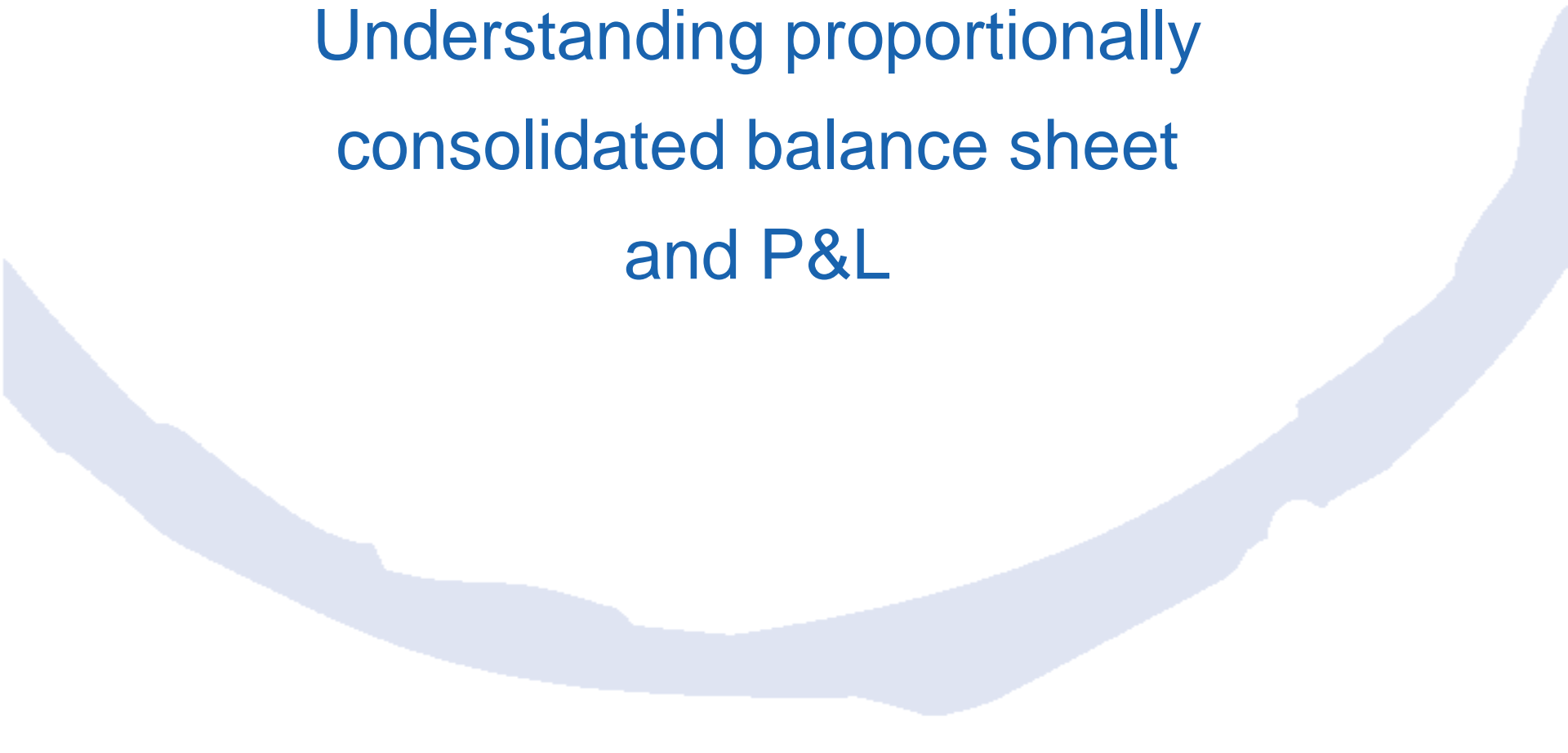


# Understanding UNITE's accounts

1. Understanding proportionally consolidated balance sheet and P&L
  2. Reconciling NPC and EPRA adjusted results to IFRS reported results
  3. Some added complexities
    - Property definition
    - Finance costs
    - Minority interest
  4. Forecasting UNITE
- 

## Section 1

# Understanding proportionally consolidated balance sheet and P&L





# Property Owning Structure

The heart of  
student living



	Wholly owned assets	USAF	UCC	OCB	USV
UNITE ownership	100%	16.3%*	30%	25%	51%
Other investors	none	100+ unit holders	GIC	OCB	Lehmans (PwC)
Asset Definitions	Investment assets Development assets	Investment assets	Investment assets	Changed from Development assets to investment in 2010	Investment assets

\*16.3% represents our beneficial interest, ie excluding the minority interest (legal interest is 19%)

# JV Accounting

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student living



The JV accounting adds complexity to our reporting

## Primary Statements

- Principle: driven by accounting standards
- Show JV interests on a single line in P&L and balance sheet
- Includes our beneficial interest and a minority investors' interest in USAF
- Minority interest item then reversed out

## Segmental /Proportionally Consolidated Reporting

- Principle: show our %age of all items in the balance sheet and P+L
- Provides an analysis of what we own
- Includes only our beneficial interest in USAF (16.3%)

# Summarised balance sheet

The heart of  
student living



31 December 2010		UNITE £'m	USAF £'m	UCC £'m	USV £'m	OCB £'m	Total £'m
Property	Gross	631	1,232	379	63	180	2,485
	UNITE share	631	201	114	32	45	1,022
Share of	Adjusted net debt	(335)	(94)	(74)	(20)	(24)	(547)
	Other assets	7	(3)	(2)	(1)	(1)	-
Adjusted net assets		303	104	38	10	20	475
Equates to pps		188p	65p	24p	6p	12p	295p

UNITE's interest is the aggregate of shareholder loans and equity

# 2010 Report & Accounts (p 61)

	100% UNITE wholly owned £m	Share of co-invested joint ventures					Group on see through basis
		USAF £m	Capital Cities £m	Student Village £m	OCB £m	Total £m	Total £m
Investment property	375.7	201.1	113.6	31.5	44.9	391.1	766.8
Investment property under development	–	–	0.2	–	–	0.2	0.2
Completed property	105.1	–	–	–	–	–	105.1
Property under development	113.0	–	–	–	–	–	113.0
Investment & development property	593.8	201.1	113.8	31.5	44.9	391.3	985.1
Cash – Investment	23.5	5.3	2.0	1.8	1.1	10.2	33.7
Other assets – Investment	53.5	0.2	0.1	–	0.5	0.8	54.3
Other assets – development	6.5	–	–	–	–	–	6.5
Other assets	83.5	5.5	2.1	1.8	1.6	11.0	94.5
Debt – Investment	(239.4)	(99.1)	(76.0)	(22.4)	(25.2)	(222.7)	(462.1)
Debt – completed property	(52.0)	–	–	–	–	–	(52.0)
Debt – development	(66.7)	–	–	–	–	–	(66.7)
Other liabilities – Investment	(43.4)	(3.2)	(1.7)	(1.6)	(1.7)	(8.2)	(51.6)
Other liabilities – development	(9.7)	–	–	–	–	–	(9.7)
Interest rate swaps	(37.3)	(1.8)	(8.1)	(1.2)	(1.6)	(12.7)	(50.0)
Total liabilities	(448.5)	(104.1)	(85.8)	(25.2)	(28.5)	(243.6)	(692.1)
Net assets attributable to owners of the parent company	228.8	102.5	30.1	8.1	18.0	158.7	387.5
Minority interest	0.1	16.1	–	–	–	16.1	16.2
Net assets	228.9	118.6	30.1	8.1	18.0	174.8	403.7

## Adjusted net assets

Net assets attributable to owners of the parent company	228.8	102.5	30.1	8.1	18.0	158.7	387.5
Mark to market of interest rate swaps	36.9	1.8	8.1	1.2	1.6	12.7	49.6
Valuation gain not recognised on property held at cost	37.1	–	–	–	–	–	37.1
Deferred tax	–	–	–	0.3	–	0.3	0.3
<b>Adjusted net assets</b>	<b>302.8</b>	<b>104.3</b>	<b>38.2</b>	<b>9.6</b>	<b>19.6</b>	<b>171.7</b>	<b>474.5</b>

# Net Portfolio Contribution

The heart of  
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Period to 31 December 2010	UNITE £'m	USAF £'m	UCC £'m	USV £'m	OCB £'m	Total £'m
<b>Revenue</b>	63.5	91.7	23.5	5.4	3.4	187.5
<b>Cost</b>	(20.3)	(25.5)	(6.2)	(1.7)	(1.0)	(54.7)
<b>Net operating income</b>	43.2	66.2	17.3	3.7	2.4	132.8
<b>UNITE Share of NOI</b>	43.2	10.7	5.7	1.9	0.6	62.1
<b>Management fees</b>	8.9	-	(0.5)	-	-	8.4
<b>Property management overheads</b>	(13.8)	-	-	-	-	(13.8)
<b>Financing (including operating lease rentals)</b>	(36.5)	(4.4)	(4.1)	(1.3)	(0.5)	(46.8)
<b>Investment segment result</b>	1.8	6.3	1.1	0.6	0.1	9.9
<b>Corporate costs/jv overheads</b>	(5.4)	(0.1)	(0.2)	-	(0.1)	(5.8)
<b>Net Portfolio Contribution</b>	(3.6)	6.2	0.9	0.6	-	<b>4.1</b>

Management fees payable do not appear under USAF/JVs as they are eliminated in the consolidation

# 2010 Report & Accounts (p 59)

2010	100% UNITE			Share of co-invested joint ventures					Group on see through basis
	Wholly owned £m	Leased/other £m	Total £m	USAF £m	Capital Cities £m	Student Village £m	OCB £m	Total £m	Total £m
Rental Income	45.7	17.8	<b>63.5</b>	14.9	7.1	2.7	0.8	<b>25.5</b>	<b>89.0</b>
Property operating expenses*	(12.0)	(8.3)	<b>(20.3)</b>	(4.2)	(1.4)	(0.8)	(0.2)	<b>(6.6)</b>	<b>(26.9)</b>
Net operating income	33.7	9.5	<b>43.2</b>	10.7	5.7	1.9	0.6	<b>18.9</b>	<b>62.1</b>
Management fees	–	8.9	<b>8.9</b>	–	(0.5)	–	–	<b>(0.5)</b>	<b>8.4</b>
Operating expenses	–	(13.8)	<b>(13.8)</b>	–	–	–	–	<b>–</b>	<b>(13.8)</b>
	33.7	4.6	<b>38.3</b>	10.7	5.2	1.9	0.6	<b>18.4</b>	<b>56.7</b>
Operating lease rentals	–	(12.1)	<b>(12.1)</b>	–	–	–	–	<b>–</b>	<b>(12.1)</b>
Loan interest and similar charges	(13.6)	–	<b>(13.6)</b>	(4.5)	(4.1)	(1.3)	(0.5)	<b>(10.4)</b>	<b>(24.0)</b>
Interest rate swap payments	(11.0)	–	<b>(11.0)</b>	–	–	–	–	<b>–</b>	<b>(11.0)</b>
Finance income	0.2	–	<b>0.2</b>	0.1	–	–	–	<b>0.1</b>	<b>0.3</b>
<b>Financing costs</b>	<b>(24.4)</b>	<b>(12.1)</b>	<b>(36.5)</b>	<b>(4.4)</b>	<b>(4.1)</b>	<b>(1.3)</b>	<b>(0.5)</b>	<b>(10.3)</b>	<b>(46.8)</b>
<b>Investment segment result</b>	<b>9.3</b>	<b>(7.5)</b>	<b>1.8</b>	<b>6.3</b>	<b>1.1</b>	<b>0.6</b>	<b>0.1</b>	<b>8.1</b>	<b>9.9</b>
Corporate costs	–	(5.4)	<b>(5.4)</b>	–	–	–	–	<b>–</b>	<b>(5.4)</b>
Share of joint venture overhead	–	–	<b>–</b>	(0.1)	(0.2)	–	(0.1)	<b>(0.4)</b>	<b>(0.4)</b>
<b>Net portfolio contribution</b>	<b>9.3</b>	<b>(12.9)</b>	<b>(3.6)</b>	<b>6.2</b>	<b>0.9</b>	<b>0.6</b>	<b>–</b>	<b>7.7</b>	<b>4.1</b>

\* Operating lease rentals result from sale and leaseback transactions which are considered a form of financing, hence the costs are shown next to interest above. Property operating expenses and operating lease rentals are shown as cost of sales in Note 2(d).

## Section 2

Reconciling EPRA adjusted results  
to IFRS reported results



# Adjusted vs Reported

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The numbers that we quote are 'Adjusted' largely according to EPRA guidelines to provide consistency across quoted real estate companies

## NAV

	£m
Adjusted NAV	475
Unbooked development profit	(37)
Swap mark to market	(50)
Deferred tax	-
Reported NAV – UNITE shareholders	388
- Minority shareholders	16
Total reported NAV	404

## Profit

	£m
NPC	4.1
Development pre-contract	(3.2)
Development trading profits	6.9
UMS loss	(4.8)
Other	(0.6)
Adjusted profit	2.4
Valuation movement	29.3
Mark to market	(7.9)
Deferred tax	(4.2)
Reported profit*	19.6

\* Attributable to UNITE Group plc Shareholders



# 2010 Report & Accounts (p 61)

	100% UNITE wholly owned £m	Share of co-invested joint ventures					Group on see through basis
		USAF £m	Capital Cities £m	Student Village £m	OCB £m	Total £m	Total £m
Investment property	375.7	201.1	113.6	31.5	44.9	391.1	766.8
Investment property under development	–	–	0.2	–	–	0.2	0.2
Completed property	105.1	–	–	–	–	–	105.1
Property under development	113.0	–	–	–	–	–	113.0
Investment & development property	593.8	201.1	113.8	31.5	44.9	391.3	985.1
Cash – Investment	23.5	5.3	2.0	1.8	1.1	10.2	33.7
Other assets – Investment	53.5	0.2	0.1	–	0.5	0.8	54.3
Other assets – development	6.5	–	–	–	–	–	6.5
Other assets	83.5	5.5	2.1	1.8	1.6	11.0	94.5
Debt – Investment	(239.4)	(99.1)	(76.0)	(22.4)	(25.2)	(222.7)	(462.1)
Debt – completed property	(52.0)	–	–	–	–	–	(52.0)
Debt – development	(66.7)	–	–	–	–	–	(66.7)
Other liabilities – Investment	(43.4)	(3.2)	(1.7)	(1.6)	(1.7)	(8.2)	(51.6)
Other liabilities – development	(9.7)	–	–	–	–	–	(9.7)
Interest rate swaps	(37.3)	(1.8)	(8.1)	(1.2)	(1.6)	(12.7)	(50.0)
Total liabilities	(448.5)	(104.1)	(85.8)	(25.2)	(28.5)	(243.6)	(692.1)
Net assets attributable to owners of the parent company	228.8	102.5	30.1	8.1	18.0	158.7	387.5
Minority interest	0.1	16.1	–	–	–	16.1	16.2
Net assets	228.9	118.6	30.1	8.1	18.0	174.8	403.7

## Adjusted net assets

Net assets attributable to owners of the parent company	228.8	102.5	30.1	8.1	18.0	158.7	387.5
Mark to market of interest rate swaps	36.9	1.8	8.1	1.2	1.6	12.7	49.6
Valuation gain not recognised on property held at cost	37.1	–	–	–	–	–	37.1
Deferred tax	–	–	–	0.3	–	0.3	0.3
<b>Adjusted net assets</b>	<b>302.8</b>	<b>104.3</b>	<b>38.2</b>	<b>9.6</b>	<b>19.6</b>	<b>171.7</b>	<b>474.5</b>

# 2010 Report & Accounts (p 64)

Reconciliation of segment result to adjusted profit/(loss)	Note	31 Dec 2010 \$m	31 Dec 2009 \$m
<b>Investment segment result</b>	2(b)	<b>9.9</b>	6.2
<b>Development segment result</b>	2(d)	<b>(1.3)</b>	(16.8)
<b>Other unallocated items</b>			
Corporate costs (excluding share option fair value charges)		<b>(5.4)</b>	(5.1)
Share option fair value charges		<b>(1.3)</b>	(0.4)
Restructuring costs		<b>-</b>	(3.0)
	2(d)	<b>1.9</b>	(19.1)
Share of joint venture overheads		<b>(0.4)</b>	(0.5)
Swap loss realised on cancellation		<b>-</b>	(9.6)
Share of joint venture current tax credit		<b>-</b>	0.7
Current tax credit/(charge)		<b>0.9</b>	(0.2)
<b>Adjusted profit/(loss) for the year attributable to owners of the parent company</b>		<b>2.4</b>	(28.7)

## Reconciliation of adjusted profit/(loss) to IFRS reported loss

Adjusted profit/(loss) for the year attributable to owners of the parent company	<b>2.4</b>	(28.7)
Net valuation gains/(losses) on properties	<b>15.4</b>	(15.3)
Loss on sale of property	<b>(2.9)</b>	(3.4)
Share of joint venture valuation gains/(losses)	<b>16.8</b>	(1.4)
Share of joint venture profit on disposal	<b>-</b>	0.1
Mark to market changes in interest rate swaps	<b>(18.6)</b>	2.8
Share of joint venture changes in fair value of interest rate swaps	<b>(0.3)</b>	(0.1)
Interest rate swap payments on ineffective hedges allocated to investment segment	<b>11.0</b>	9.7
Deferred tax	<b>(3.7)</b>	1.6
Share of joint venture deferred tax	<b>(0.5)</b>	-
<b>Profit/(loss) for the year attributable to owners of the parent company</b>	<b>19.6</b>	(34.9)

## Section 3

Some added complexities



# Property Definition

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The creation of USAF resulted in a change in the classification of assets developed after that date

	Pre USAF	Post USAF
<b>Construction sites</b>	Investment property under development	Property under development
<b>Completed building</b>	Investment property	Completed property

There is different accounting treatment for these classifications – outlined in the Appendix

# 2010 Finance Costs

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UNITE

	UNITE £'m	USAF £'m	UCC £'m	USV £'m	OCB £'m	Total £'m
Interest paid including effective swaps	(16.3)	(4.5)	(4.1)	(1.3)	(1.0)	(27.2)
Swap payments on ineffective hedges	(11.0)	-	-	-	-	(11.0)
Interest capitalised	2.5	-	-	-	0.5	3.0
Development segment interest	0.2	-	-	-	-	0.2
Operating lease rentals	(12.1)	-	-	-	-	(12.1)
Finance income	<u>0.2</u>	<u>0.1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.3</u>
Investment segment interest	<u>(36.5)</u>	<u>(4.4)</u>	<u>(4.1)</u>	<u>(1.3)</u>	<u>(0.5)</u>	<u>(46.8)</u>

- All swaps are commercially effective, but some are ineffective under IAS rules
  - Interest on ineffective swaps is not included in basic interest charge
  - Included in interest as a separate line
- Development is financed by:
  - Specific development loans
  - Allocation of debt from investment loans

} Interest on both is capitalised into development projects and included as a cost of development
- Properties sold as sale and leaseback transaction, have rent payable treated as a financing cost

# Minority Interest

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## Primary Statements

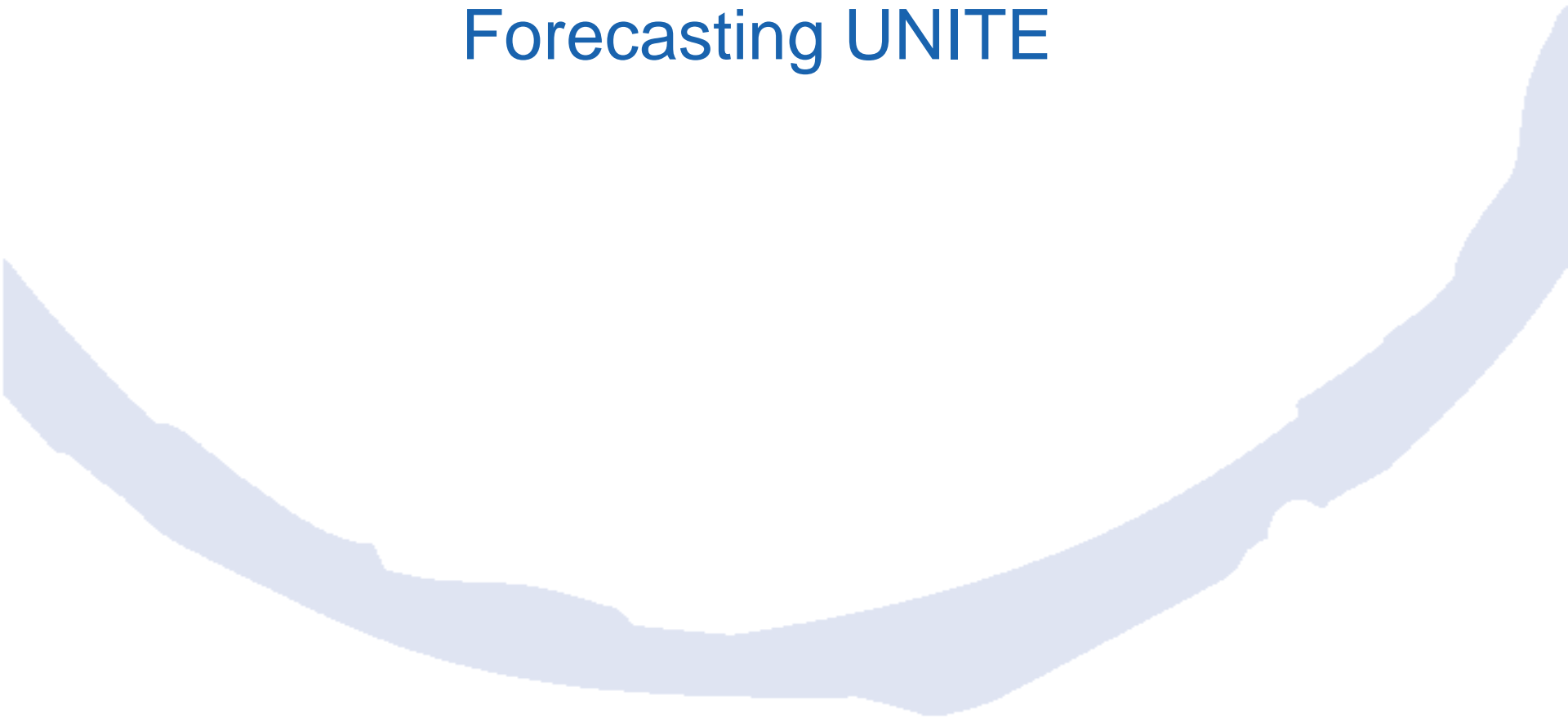
- Principle: driven by accounting standards
- One USAF investor invested through UNITE group subsidiary to simplify their tax
- Includes our beneficial and investor's interest in USAF (18.9%)
- Investor interest shown as belonging to minority
- Their interest amounts to £1.7m of JV income in P+L in 2010, and;
- £16.2m of investment in joint venture in balance sheet

## Segmental Reporting

- Principle: show our %age of all items in the balance sheet and P+L
- Provides an analysis of what we own
- Includes only our beneficial interest in USAF (16.3%)

## Section 4

# Forecasting UNITE



# Forecasting UNITE NAV

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Rental Growth	GAV £'m	Rental Growth	NAV Growth £'m
Investment assets (wholly owned and share of JVs)			
- Stabilised	730	3 – 4 %	25
- Stabilising	154	-	-
Yield movement	GAV £'m	Yield Shift	NAV Growth
Yield compression/expansion	884	-	-
Development NAV	NAV to book £'m	% in year	NAV Growth £'m
2011 completions	6	100%	6
2012 completions	29	30-50%	9-14
2013-14 completions	34	0-20%	0-7
P&L items	NAV Growth		
Net Portfolio Contribution	See NPC forecast		
Pre-contract development costs	Based on development activity		
UMS	Based on modular production		
Tax	Based on USAF performance		



# Built-out Balance Sheet and Development Pipeline

	Beds	Completed value £'m	Total development cost £'m	Capex remaining £'m	NAV remaining £'m	Stabilised yield on cost
2011	1,277	100	85	26	6	8.3%
2012	1,818	207	154	116	37	9.1%
2013-14	1,452	152	118	118	34	9.0%
<b>Total</b>	<b>4,547</b>	<b>459</b>	<b>357</b>	<b>260</b>	<b>77</b>	<b>8.9%</b>

- Completing development programme will keep gearing within target range
  - Secured pipeline 108%
  - Target pipeline (+1,200 beds) 120%
- Further development beyond 4,000 bed target will be funded by recycling capital through selective disposals

	31 Dec 2010 £'m	Development pipeline £'m	Built out £'m
Property	631	337	968
Share of JV's NAV	172		172
Cash headroom	83	(52)	31
Borrowings	(418)	(208)	(626)
<b>Net debt</b>	<b>(335)</b>	<b>(260)</b>	<b>(595)</b>
Other	6	-	6
<b>NAV</b>	<b>474</b>	<b>77</b>	<b>551</b>
NAV per share	295p	48p	343p

# Forecasting UNITE NPC

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NOI		GAV £'m	NIY	Stabilisation factor	Annualisation	NOI £'m
Investment assets (wholly owned and share of JVs)	<ul style="list-style-type: none"> <li>- Stabilised</li> <li>- Stabilising</li> <li>- 2011 completions</li> <li>- Leased assets</li> </ul>	730 154 100	6.6% 6.6% 6.6%	 2/3 2/3	  1/4	48.2 6.8 1.1 9.3
						65.4
Fees		GAV £'m	Fee	UNITE share	Annualisation	NOI £'m
AM fees	<ul style="list-style-type: none"> <li>- USAF</li> <li>- UCC</li> <li>- OCB</li> </ul>	1,232 379 180	60 bps 50 bps 70 bps	83% 70% 75%		6.1 1.3 0.9
						8.4
Finance costs		Debt	Cost of debt		Annualisation	NOI £'m
Interest	<ul style="list-style-type: none"> <li>- Wholly owned</li> <li>- 2011 completions</li> <li>- Share of JVs</li> <li>- Capitalised</li> <li>- Lease costs</li> </ul>	293 60 223	6.8% 6.0 - 6.5% 5.5%		1/4	(19.6) (0.9 - 1.0) (12.3) 2.0 - 3.0 (12.2)
						(42.1) – (43.1)
Overheads Disposals					Based on prior year plus inflation £150m forecast in 2011 and 2012	

# Built-out P&L

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	£'m	Assumptions
2011 Analysts consensus NPC	8.5	
NOI on development pipeline	32.1	9% development yield on £357m capex
Interest on development pipeline debt	<u>(16.1)</u>	75% LTC at 6% cost of debt
Built-out NPC (before rental growth)	24.5	
Rental growth impact on NPC	5.8	3% growth at in 2010 NOI for 3 years
Built-out NPC (including rental growth)	<u>30.3</u>	

- Assumes interest cost on existing debt remains at current level (6.2% on see through basis)
- Assumes overhead can be maintained at current level
- Overheads less fees as a proportion of GAV falls to c.80bps on build out of portfolio

# Summary / Q&As



**Development**



**Capital growth**



**Income**

**Focus on London and other high-growth markets**

**Leveraging the power of the UNITE brand**

**TARGETING LOW DOUBLE DIGIT TOTAL RETURNS**

# Appendix



# Consequences of Property Definitions

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This leads to different treatments in the accounts

← Accounts treatment →			
Operating income/costs		Investment segment P&L	Development segment P&L
Revaluation above cost	- Balance sheet	Fixed asset value up	Unbooked (but in adjusted NAV)
	- P&L	Valuation gain on property	Unbooked
Revaluation below cost	- Balance sheet	Fixed asset value down	Stock value down
	- P&L	Valuation loss on property	Cost of sales
Disposals		Proceeds less carrying value in P&L (P&L on disposal)	Proceeds in sales Carrying cost in Cost of sales