PRESS RELEASE

24 July 2018

THE UNITE GROUP PLC

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

HALF YEAR RESULTS FOR SIX MONTHS TO 30 JUNE 2018

The Unite Group plc, the UK's leading manager and developer of student accommodation, announces its half year results for the six months to 30 June 2018.

Richard Smith, Chief Executive of Unite Students, commented:

"The first half of 2018 has been another active and successful period for Unite. We have delivered further increases in our sustainable and recurring earnings and maintained strong cash flows. The focus on our operating platform, property portfolio and University partnerships, supported by attractive market dynamics, continues to drive growth. We have expanded our University Partnership activity and further aligned our portfolio to the strongest Universities where student demand is at its highest. We are opening seven new properties over the summer and will be operating 52,000 beds for the 2018/19 academic year.

"As the UK's largest provider of this type of accommodation, we have unparalleled insights into the needs of today's students which allows us to constantly enhance the service we provide. Our continued focus on excellent customer service for both students and Universities supports reservations of a record number of beds, with 91% of beds already reserved for the 2018/19 academic year and like-for-like rental growth expected to be within our target of 3.0-3.5%.

"Looking ahead, our market leading brand, scalable operating platform and deep development pipeline leave us on track to deliver expected earnings and dividend growth for the full year."

	Six months to 30 June 2018	**Six months to 30 June 2017**	**Year to 31 December 2017**	**Change**
EPRA earnings*	£52.9m	£40.4m	£70.5m	31%
EPRA earnings per share*	20.7p	18.0p	30.3p	15%
Profit before tax	£142.5m	£83.9m	£229.4m	70%
Dividend per share	9.5p	7.3p	22.7p	30%
Total accounting return*	7.8%	5.0%	14.0%	
As at	**30 June 2018**	**30 June 2017**	**31 December 2017**	**Change from 31 December 2017**
EPRA NAV per share*	761p	669p	720p	6%
Net debt*	£770m	£696m	£803m	4%
Loan to value*	27%	30%	31%	

HIGHLIGHTS

EPRA Earnings up 31% to £52.9m (30 June 2017: £40.4 million) and dividend up 30% to 9.5p (30 June 2017: 7.3p)

- Increased dividend, up 30% to 9.5p, driven by growing earnings and higher pay out
- Profit before tax up 70% to £142.5 million (30 June 2017: £83.9 million)

High-quality income, portfolio and University relationships support rental growth

- Reservations for 2018/19 academic year at 91% (2017: 91%)
- Supports rental growth outlook for 2018/19 of 3.0-3.5%
- Nomination agreements with Universities represent 60% of accommodation (2017: 59%), with an average remaining life of six years (2017: six years) providing income and rental growth certainty on over half of revenue

Over 9,000 beds in secured pipeline across development, University partnerships and forward funds, driving future earnings growth

- Acquisition of 678-bed forward funded development in Wembley for £102 million for delivery in 2020. The acquisition is expected to deliver a yield on cost of over 6% and be valued at a net initial yield of 4.5%
- Two new off-campus University Partnership schemes in Oxford and London secured, delivering c.1,900 beds with target openings of 2019 and 2021 respectively
- Development pipeline of 6,500 beds for delivery over the next three years (2017: 7,550 beds), generating 7.7% yield on cost
- On track to open 3,075 beds across seven new buildings for the 2018/19 academic year. All schemes are on time and on budget with reservations in line with the broader portfolio
- Growing number of opportunities in London being evaluated

High-quality portfolio aligned to the strongest Universities where intake continues to grow

- 52,000 operational beds for 2018/19 academic year, with a value of £5.0 billion; Unite share £2.7 billion (30 June 2017: 49,600 beds, valued at £4.6 billion; Unite share £2.3 billion)
- 85% of Unite's portfolio now located at high and mid-ranked Universities (30 June 2017: 82%), increasing to 90% on completion of our development and University partnership pipeline and planned acquisitions and disposals

Strong financial position

- LTV of 27% (31 December 2017: 30%), cost of debt at 4.1% (31 December 2017: 4.1%)
- Unite Group plc assigned an investment grade corporate rating of BBB from Standard & Poor's and Baa2 from Moody's

* The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). These financial highlights are based on the European Public Real Estate Association (EPRA) best practice recommendations and these performance measures are published as they are intended to help users in the comparability of these results across other listed real estate companies in Europe. The metrics are also used internally to measure and manage the business and to align to the performance related conditions for Directors' remuneration. See glossary for definitions.

PRESENTATION

There will be a presentation for analysts this morning at 09:30 at Numis Securities Limited, The London Stock Exchange Building, 10 Paternoster Square, London EC4M 7LT. A live webcast will be available at: www.unite-group.co.uk. To register for the event or to receive dial-in details, please contact unite@powerscourt-group.com.

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OVERVIEW

During the first half of the year, we have continued to make excellent progress by maintaining our focus on quality. We have the leading brand in the sector and a strong reputation with customers and Universities alike, based around a superior student experience. We have the best University relationships and an unparalleled property portfolio. Collectively, this focus is delivering sustainable and growing earnings.

Our market leading brand is underpinned by our core purpose of creating a Home for Success, based on operating buildings designed specifically for students, in the right locations with high levels of services that our students and University partners value. We continue to invest in our customer proposition, enhancing service levels and the digital and physical environment for students living with us. Our approach has seen us increase the number of beds provided to Universities under nominations agreements by 2,000 beds to 31,000 beds and has seen us secure our first two off-campus University Partnership developments in Oxford and London to deliver 1,900 beds in 2019 and 2021.

With 52,000 operational beds across 24 cities, we have a scalable platform that is driving meaningful efficiencies and enhanced levels of service. This is demonstrated in our financial results: EPRA earnings for the six months were up 31% to £52.9 million (30 June 2017: £40.4 million), an increase of 15% on a per share basis to 20.7 pence (30 June 2017: 18.0 pence). EPRA NAV per share increased 6% to 761 pence (31 December 2017: 720 pence) which, together with the dividend paid, delivers a total accounting return of 8% in the first six months of the year. Our investment discipline means we maintain a strong capital structure, with leverage at 27% LTV (31 December 2017: 31%).

As a result of the ongoing growth in earnings and the sustainability of our business model, we are increasing our interim dividend by 30%, declaring an interim dividend of 9.5p (2017: 7.3p).

Our key financial performance indicators are set out below:

Financial highlights	Six months to 30 Jun 2018	Six months to 30 Jun 2017	Year to 31 Dec 2017
EPRA earnings	£52.9m	£40.4m	£70.5m
EPRA EPS	20.7p	18.0p	30.3p
Dividend per share	9.5p	7.3p	22.7p
Profit before tax	£142.5m	£83.9m	£229.4m
Basic EPS	53.9p	36.7p	95.3p
EPRA NAV per share	761p	669p	720p
See-through LTV ratio	27%	30%	31%

The business continues to benefit from our focus of aligning our portfolio with the strongest University locations. Supported by our strong University relationships and continued investment in our service platform, reservations are in line with last year's record levels, with growing numbers of returning students. Reservations for the 2018/19 academic year are currently 91% (2017: 91%). 60% of income is highly visible and recurring, underpinned by University nominations agreements, which have a remaining average life of six years with inbuilt annual inflation-linked rental uplifts. Of the remaining income, we continue to attract more returning students, who now account for 69% of our direct let income, demonstrating the value and broad appeal of our customer proposition. We have maintained our focus on quality locations and, with the publication of the new TEF rankings, have seen the level of income from Gold and Silver-ranked institutions increase to 85%. Our development pipeline and planned disposal activity means that we remain on track to increase our focus on the high and mid-ranked Universities to 90% on completion of the pipeline. The key measures demonstrating the high-quality income are outlined in the following table.

Proportion of income from high and mid-ranked Universities	85%
Proportion of beds under nominations agreements	60%
Average remaining life of nominations agreements	6 years
UK : International : EU customer analysis	65% : 27% : 8%

We actively manage our property portfolio by using our deep local market knowledge and customer insight to enhance the quality of our properties. We are focusing on the strongest Higher Education institutions, where there is significant and growing demand for PBSA, and we have strong University relationships. In addition to University Partnership acquisitions, we have further extended our earnings-accretive, high-quality pipeline, acquiring a forward funded development scheme in Wembley, planned for delivery in 2020. The 678 new beds will add to our existing 700 beds at Wembley to offer a meaningful hub in London, offering more affordable accommodation and enabling us to drive further operating efficiencies.

We have maintained our approach to capital discipline. See-through LTV has reduced to 27% (31 December 2017: 31%), primarily as a result of the £170 million share placing that was completed in February 2018. The new equity is being used to fund the two new University Partnership developments in Oxford and London. We expect LTV to return to our targeted level around the mid-30% level as we deliver the remainder of our secured development pipeline.

Student numbers remain robust supported by the global standing of UK Universities. We expect student intake in the 2018/19 academic year to be around 530,000, in line with the levels last year, with the proportion of applicants accepted onto courses increasing to around 78% (up from 76% in 2017), demonstrating that Universities continue to manage student recruitment proactively. Applications to UK Universities at 30 June for 2018/19 were 636,980, down 2% from the same point in 2017. This decline was driven mainly by the demographic decline in the UK that has been ongoing since 2015 that has seen the number of 18-20 year-olds fall from 2.4 million in 2015 to 2.3 million in 2018. This is expected to reach a low point of 2.2 million in 2021, before growing rapidly and reaching 2.4 million by 2025 and 2.6 million by 2045. Whilst demographics have reduced the number of 18-20 year-olds, the desire to go to University has grown and participation rates have increased steadily from 33% in 2015 to a record level of 38% in 2018. With higher participation rates expected to continue alongside the rapid reversal of the demographic decline from 2021, the longer term outlook for UK students looks encouraging.

Demand from international students has been strong again for 2018/19, with EU student applications up 2% and other international students up 6%, showing the continuing global appeal of UK Universities. The near term outlook for EU students has been boosted by the recent announcement that students from the EU starting their courses in 2019 will have current funding arrangements guaranteed for the duration of their degrees, meaning that the full impact of any new funding arrangement will not take effect until 2022/23.

We have continued to see strongest application growth at the higher ranked Universities with declines at lower ranked institutions. The strength of the sector underpins a positive outlook for the student accommodation market over the next few years, with the strongest growth in student numbers expected in cities where we operate.

The Government is undertaking a review into post-18 education. The review is focused on providing more choice and better information about the options available to people after the age of 18, offering value for money, greater access for people from all backgrounds and ensuring that the education system is providing the skills that employers need. The review will report findings during 2019, but we expect some initial findings later this year. Overall, we expect the review to be broadly supportive of the ongoing growth of Higher Education and will continue to enable Universities, providing high-quality outcomes with value for money, to support the growing demand for degree qualifications.

Our business strategy remains consistent, focused and resilient. We are continuing to invest in strengthening our market leading brand and operating platform, particularly by leveraging our proprietary technology, to create efficiencies of scale and deliver higher operating margins which support our investment in enhancing our customer service. We also continue to manage our balance sheet conservatively, by ensuring that asset and financing strategies are aligned and that leverage is controlled.

We remain focused on creating a high-quality portfolio aligned to the strongest Universities. Our development pipeline and our highly efficient operating platform continue to provide good visibility and underpin our long-term income stability and rental growth. We are therefore confident that the Group remains well placed to continue growing sustainable earnings in the years ahead.

PERFORMANCE REVIEW

The key strengths of our business are our people, our operating platform, our brand and the strength of our relationships with Universities. We have continued to build on these in the first half of 2018, resulting in a 31% increase in EPRA earnings to £52.9 million or 20.7 pence per share (30 June 2017: £40.4 million, 18.0 pence per share). This increase was driven by high occupancy, rental growth, active portfolio management and the latest additions to the portfolio, as well as further operational efficiencies and ongoing cost discipline.

The Group continues to report on an IFRS basis and to also present its performance in line with best practice recommended by EPRA. The Performance Review focuses on EPRA measures as these are our key internal measures and aid comparability across the real estate sector.

Summary income statement	Six months to 30 Jun 2018 £m	Six months to 30 Jun 2017 £m	Year to 31 Dec 2017 £m
Unite's share of rental income	101.9	92.4	170.8
Unite's share of property operating expenses	(23.4)	(21.7)	(44.3)
Net operating income (NOI)	**78.5**	**70.7**	**126.5**
NOI margin	*77.1%*	76.5%	*74.1%*
Management fees	7.0	7.5	14.1
Operating expenses	(10.4)	(12.2)	(24.6)
Finance costs	(19.3)	(23.6)	(45.2)
USAF acquisition and performance fee	-	0.8	4.3
Development and other costs	(2.9)	(2.8)	(4.6)
EPRA earnings	**52.9**	**40.4**	**70.5**
EPRA EPS	**20.7p**	**18.0p**	**30.3p**

Rental income has increased by 10% to £101.9 million, up from £92.4 million in 2017, with organic rental growth driving around a third of the uplift and portfolio activity the rest. The scalability of the operating platform has resulted in this uplift in rental income delivering a 31% increase in EPRA earnings. A full reconciliation of profit after tax to EPRA earnings is set out in note 2.2 of the financial statements.

Market leading service platform

PRISM, our proprietary technology platform continues to drive enhanced customer service benefits and the long-term improvement in the Group's NOI margin, to 77.1% for the six months (30 June 2017: 76.5%). The seasonal nature of the academic year means that we expect to deliver our 75% target for the full year.

As we continue to improve the scale and quality of the portfolio through our refurbishment, development, acquisition and forward fund activity, we expect to generate further efficiencies of scale. Overheads have reduced year on year as a result of our efficiency programme in 2017 and this is driving further improvements in our overhead efficiency measure to 24 basis points of gross asset value on an annualised basis. We remain on track to deliver our target of 25-30 basis points in 2018.

Going forward, we expect to deliver further efficiency gains through our operating platform, primarily through the growing scale of the portfolio under management. Increasingly, we will look at the combination of NOI margin and overheads to show an operating margin (NOI less overheads and fees as % of sales). This measure will show the overall efficiency of the business and aid comparability across the sector. In the first half of 2018, this measure was 73.7% (30 June 2017: 71.4%) and we expect the full year to be around 69% (2017: 67.9%).

Finance costs have reduced to £19.3 million (30 June 2017: £23.6 million) as a result of lower net debt of £770 million (31 December 2017: £803 million), following the equity raise in February 2018. Higher levels of development spend have resulted in £5.4 million of interest being capitalised compared with £3.8 million in the first half of 2017. The cost of debt has remained stable at 4.1% (31 December 2017: 4.1%).

High occupancy, secured income and rental growth

Occupancy and rental growth continue to be driven by the quality of our brand, the portfolio and its positioning alongside, and our partnerships with, high-quality Universities. We will be operating 52,000 beds for the 2018/19 academic year and our lettings performance has been strong throughout the sales cycle, with reservations levels at 24 July at 91% for 2018/19 in line with the record level achieved at the same time last year. We see this as an optimum level at this time of year, providing us with sufficient capacity to manage demand and optimise rental growth once A-level grades are awarded in mid-August. We expect to reach our target level of 97% for the 2018/19 academic year.

Our performance is again underpinned by a high level of nominations agreements with 60% of beds secured by Universities (2017: 59%), demonstrating their confidence in their ability to recruit students, as well as the strength of our brand in the Higher Education sector. We will maintain our focus on the proportion of income and rental growth underpinned by nominations agreements with strong University partners over the next few years. Our success in delivering valuable nominations agreements is supported by an improvement in our independently verified University Trust Score that increased in 2018 to its highest ever level.

The reservations performance has also been supported by a high level of re-bookings from existing customers with 26% of direct-let sales being made to students rebooking to live in Unite Students accommodation. This growth means that 69% of our direct-let rooms are now let to returning students choosing to live in purpose-built accommodation rather than private rented sector housing, reflecting a growing trend and an interesting opportunity for Unite.

Our customer base for the 2017/18 academic year is made up of 65% UK and 35% international students (EU students make up 8%). The Government has confirmed that all existing EU students and those starting courses in 2018 and 2019 will have funding provided for the duration of their courses.

The PRISM booking system has led to more streamlined, automated processes with faster and higher levels of conversion from offered bookings to reserved sales. As a result of our positive sales performance, we expect rental growth for the full year to be in line with our target of between 3.0-3.5%. This is consistent with the average over the past five years. This rental growth is being delivered across our nominations agreements and direct-let accommodation and we expect this trend to continue over the coming few years.

The added flexibility that PRISM has introduced to our booking and service delivery standards is supporting the growth of flexible tenancies. This is allowing us to improve the utilisation of our assets, particularly over the summer. Summer income is expected to be c.£12.7 million in 2018 (2017: £11.3 million) and we expect this growth to continue over the next few years.

Service and efficiency enhancements

The combination of scale and a market-leading operating platform continue to drive the operational efficiency of our business and we remain committed to reinvesting a significant proportion of savings in enhanced customer services that support our purpose of creating a Home for Success.

This means providing a living environment that enables students to get the very best out of their time at University. With this in mind, we continue to invest in the things that our extensive research tells us matter most to them: the smoothest possible transition to University life; a home that is safe and secure, where they can study and socialise in the way they want; and ensuring that help is on hand if and when it's needed.

Our proprietary digital platforms deliver a range of user-friendly services for a generation of students for whom digital living is second nature. Some 96% of students are now using the My Unite app to meet each other and take the administrative hassle out of everyday tasks, from making payments to booking the laundry and reporting maintenance issues. Our Common Room portal provides a wide range of engaging and relevant content about different aspects of University living, much of it created by our community of paid student contributors. As we look towards the start of the new academic year, we are introducing a series of new services such as an online check-in capability, designed to make the all-important arrival day as smooth and simple as possible for students.

Our website functionality and analytics have driven over 3 million unique website visits in 2017/18, up 9% year on year, with tenancy offer to acceptance conversions up from 55% to 65% as a result of simplified processes. These enhancements contribute to both the sales and efficiency performance of the business. We are in the process of rolling out a new back-office digital platform which will enhance the speed and delivery of planned and reactive maintenance work to be as quick and efficient as possible. This will ensure our properties are maintained to the highest standards and a better service is provided for our students.

During the first half of the year, we have completed the roll out of our student Ambassadors programme, a network of second year students who are available to provide peer-to-peer support and host student events during the vital first year at University. We also launched The Leap, a new communication campaign aimed at educating applicants and parents about University life, dispelling some commonly held myths and helping them prepare better for the excitement and challenges of going to University.

Our office in China continues to perform well. The small team has successfully built relationships with over 15 Universities, acting as a link to support their students who choose to study in the UK. The team has supported 3,500 sales for the 2018/19 academic year, up from 3,200 in 2017/18. In addition, the team provides direct support to students and their parents about what to expect and logistical details before they travel to the UK.

These service enhancements continue to be enabled by the efficiency of our operating platform. By driving efficiencies from our investments in technology, we are able to reinvest to maintain our market-leading offer to students and Universities. We are on track to deliver our margin and overhead targets in 2018 and see opportunities to extend these targets to drive further efficiencies over the next few years.

Property portfolio growth

EPRA NAV per share increased by 6% to 761 pence at 30 June 2018 (31 December 2017: 720 pence). In total, EPRA net assets were £2,009 million at 30 June 2018, up from £1,740 million six months earlier. Net assets on an IFRS basis were £1,995 million at 30 June 2018 (31 December 2017: £1,729 million).

The main drivers of the £269 million (41 pence per share) movement in EPRA NAV were:

- The growth in the value of the investment portfolio as a result of rental growth (+£42 million, +16 pence)
- The growth in the value of the investment portfolio as a result of yield compression (+£36 million, +13 pence)
- The growth in the value of the development portfolio as a result of planning consents and progress on site (+£9 million, +4 pence)
- The positive impact of retained profits after dividends paid (+£14 million, +5 pence)
- The impact of the share placing (+£170 million, +3 pence per share)

The valuation of our property portfolio at 30 June 2018 on a see-through basis (i.e. including our share of gross assets held in USAF and LSAV) was £2,819 million (31 December 2017: £2,595 million). The £224 million increase in portfolio value reflects the valuation movements outlined above together with capital expenditure on developments of £118 million and £18 million on investment activity.

Our focus on the strongest University locations means that our portfolio is well placed to deliver continued rental growth.

Summary balance sheet

	30 June 2018			30 June 2017			31 December 2017		
	Wholly owned £m	Share of Fund/JV £m	Total £m	Wholly owned £m	Share of Fund/JV £m	Total £m	Wholly owned £m	Share of Fund/JV £m	Total £m
Rental properties	1,313	1,161	2,474	1,051	1,015	2,066	1,261	1,118	2,379
Properties under development	331	14	345	263	14	277	206	10	216
Total property	1,644	1,175	2,819	1,314	1,029	2,343	1,467	1,128	2,595
Adjusted net debt	(410)	(360)	(770)	(425)	(271)	(696)	(462)	(341)	(803)
Other assets/(liabilities)	(25)	(15)	(40)	(17)	(14)	(31)	(35)	(17)	(52)
EPRA net assets	**1,209**	**800**	**2,009**	872	744	1,616	970	770	1,740

The proportion of the property portfolio that is income generating is 88%, slightly down from 92% at 31 December 2017, with 12% now under development as we have made progress with the development pipeline. We will continue to manage the development weighting of our balance sheet to remain within our internal cap of 20% going forward. Geographically, 40% of the investment portfolio (on a Unite share basis) is located in London with the remainder in strong regional locations.

Student accommodation yields

The purpose built student accommodation sector continues to perform well. The strong fundamentals and consistent earnings and rental growth record continues to attract significant volumes of capital. The level of transactions in the sector has remained high, with £4 billion of assets traded in 2017 and a further £2 billion traded in the first half of 2018. Whilst transaction volumes are expected to be lower than the high levels seen over the last three years, there is still a strong appetite to deploy capital in the sector from a range of capital investors.

The average net initial yield across the portfolio is 5.15% compared to 5.2% at December 2017, reflecting five basis points of yield compression during the first six months of the year. Investor appetite remains strongest for assets in good locations, close to high-performing Universities, and this has led to a further differentiation in yields between assets.

An indicative spread of direct let yields at 30 June 2018 by location is outlined below:

	30 Jun 2018	30 Jun 2017	31 Dec 2017
London	4.25-4.5%	4.25-5.0%	4.25-4.5%
Prime regional	5.0-5.5%	5.25-5.75%	5.0-5.5%
Regional	6.0-6.5%	6.0-6.75%	6.0-6.5%

Buildings designed for students

The focus of our property activity is to provide buildings designed specifically for students in the best locations alongside high-performing Universities to support our brand. We continually look to enhance the specification of our estate, using technology to enhance customer service and drive efficiency savings through energy and water savings, enhanced Wi-Fi speeds and new features to improve the living experience. Our development and portfolio activity is designed to support this strategic approach to ensure that the portfolio is best placed to drive full occupancy and rental growth in the medium term.

Based on our understanding of the changing lifestyle of students, we have updated the specification of our kitchens to ensure that they reflect the preferences and habits of today's student while, through features such as sophisticated integrated hobs with automatic timers, reducing the risk of fires. In partnership with our broadband provider meanwhile, we are trialling an upgraded 1GB broadband network in our Cowley Barracks development, delivering consistent 200MB Wi-Fi to all of our customers. And, in response to student feedback, we started rolling out new, more comfortable and hardwearing mattresses across our properties.

Going forward, we will continue to drive the efficiency of our operating platform by making sure our buildings are both cost-effective and, by exploiting our unique customer insight, stay ahead of students' changing priorities and lifestyles.

Development activity

Development activity continues to be a significant driver of growth in future earnings and NAV. Our pipeline of traditional development, forward funds and University partnership development activity includes 9,400 beds and is expected to contribute around 15-17pps of earnings and 58-63pps of further NAV uplift on completion.

Returns on new projects in strong regional locations remain attractive and within our target range of 8.0-8.5% yield on cost. Development returns in London remain below our hurdle rate of 7.0% due to high land costs and a stringent planning regime. However, we have been able to unlock value through our University Partnership approach and where we are able to drive efficiency gains or transfer development risk. Alongside the two schemes secured during 2018, we are starting to evaluate more potential schemes in London. The new London plan (setting out planning policy in London) requires future schemes in London to include up to 35% of rooms at an affordable rent. It is expected that this will act as a further restriction on supply of direct-let beds in London and place further value on our existing investment and development portfolio. Our relationships with Universities in London and strong track record with planning authorities in key London boroughs will provide us with a unique opportunity to work with our partners under the new guidelines.

The 2018 development pipeline is nearing completion on time and to budget. We are opening 3,075 beds across seven properties, with 100% of the rooms let to students attending high and mid-ranked Universities and 55% of the beds secured under nominations agreements, with an average life of nine years, supporting our ongoing focus on quality of income.

In the first half of 2018, we secured planning on our site in Leeds for delivery in 2020. We also acquired a 678-bed forward funded development in Wembley for £102 million for delivery in 2020. We will continue to deploy capital into development and forward fund opportunities that meet our target returns and enhance the quality of our portfolio. The new scheme in Wembley allows us to create a new hub in Wembley, providing over 1,000 rooms at more affordable rents. The development yield of 6.0% reflects the lower risk on the scheme, with planning in place and construction and letting risk remaining with the vendor. The scheme is expected to deliver £15-20 million of uplift to NAV and will add 1-2pps to earnings when open in 2020/21.

We have also taken the decision not to proceed with the build out of Constitution Street in Aberdeen due to the change in supply dynamics as a result of volatility in the oil price over the last few years. The site remains income producing until the end of 2019 and we expect to sell the site in line with its carrying value. As a result of a more complex planning environment than was expected, the old BRI site in Bristol is now expected to be delivered in 2021.

The development pipeline across wholly-owned development, University Partnerships and USAF forward funds is analysed in more detail below.

Secured development pipeline (wholly owned)

		Secured beds No.	Total completed value £m	Total development costs £m	Capex in period £m	Capex remaining £m	Forecast NAV remaining £m	Forecast yield on cost %
2018 completions								
Chaucer House	Portsmouth	484	42	33	9	2	2	8.0%
Newgate Court	Newcastle	575	40	37	14	3	3	8.0%
Brunel House	Bristol	246	32	22	7	1	1	8.5%
St Vincent’s	Sheffield	598	49	38	17	4	3	8.2%
International House	Birmingham	586	50	38	11	3	3	8.0%
2019 completions								
Skelhorne Street	Liverpool	1,085	94	74	10	39	10	8.0%
2020 completions								
Tower North	Leeds	928	99	76	2	73	23	8.0%
New Wakefield Street	Manchester	603	78	56	3	41	10	8.2%

First Way	London	678	119	102	0	102	17	6.0%
2021 completions								
Old BRI[1]	Bristol	751	99	79	0	60	23	8.4%
Total (wholly owned)		**6,534**	**702**	**555**	**73**	**328**	**95**	**7.7%**

[1] Subject to obtaining planning consent

Secured forward fund pipeline (USAF)

USAF is making good progress with its three forward fund assets in Durham and Birmingham and acquired an investment asset in Edinburgh. Both of the schemes in Durham are on track to be opened in the summer and are letting well. USAF will continue to deliver its strategy to increase exposure to high-quality Universities and to expand its presence in markets to take advantage of scale. USAF has around £50 million of acquisition capacity which it expects to deploy in the next few months.

		Secured beds No.	Total completed value £m	Total development costs £m	Capex in period £m	Capex remaining £m	Forecast NAV remaining £m	Forecast yield on cost %
USAF								
2018 completions								
Old Hospital	Durham	363	37	36	10	5	1	6.5%
Houghall Court	Durham	222	20	19	5	5	1	6.2%
2019 completions								
Battery Park	Birmingham	418	43	38	0	29	5	6.3%
Total USAF		**1,003**	**100**	**93**	**15**	**39**	**7**	**6.4%**
Unite share of USAF		**n/a**	**25**	**23**	**4**	**10**	**2**	**6.4%**

University partnerships (wholly owned)

In addition to growing the number of beds underpinned by University backed nominations agreements, we have made further progress with our strategy of delivering ongoing growth through partnerships with Universities. Building on our reputation, we are in discussion with several high-quality Universities to develop opportunities to grow our University partnership business and to drive long-term secure income.

Following our first on-campus acquisition of the entire Aston University accommodation provision in 2017, we have secured two further University Partnership schemes. Firstly, we acquired the former Cowley Barracks in Oxford. Working with Oxford Brookes University, we secured planning permission to build 887 beds and agreed terms for a 25-year nominations agreement with the University, taking our partnership with them to over 1,250 beds. The agreement provides the University with much needed accommodation in a local area where new development is difficult and Unite with income and rental growth certainty over the long term. This scheme is under construction and is progressing well towards completion in the summer of 2019.

We have also secured a new development site, our first in London since 2013, in Middlesex Street, E1. Working with King’s College London, we have submitted a planning application to build around 1,000 beds of cluster-flat accommodation. We expect to enter into a long-term nominations agreement over this property, providing much needed, capacity in a location where there is a severe shortage of high quality affordable student accommodation.

		Secured beds No.	Total completed value £m	Total development costs £m	Capex in period £m	Capex remaining £m	Forecast NAV remaining £m	Forecast yield on cost %
2019 completions								
Cowley Barracks	Oxford	887	94	73	36	36	13	6.5%
2021 completions								
Middlesex Street[1]	London	960	250	193	5	188	57	6.3%
Total University Partnerships		**1,847**	**344**	**266**	**41**	**224**	**70**	**6.4%**

[1] Subject to obtaining planning consent

Contribution to financial performance

The pipeline remains a significant source of future earnings growth and value creation. In addition to the secured pipeline, rental growth is expected to support further growth of earnings to offset the impact of asset disposals. The following table summarises the potential impact of the pipeline (when complete) on future NAV and earnings per share.

	Illustrative returns	
	Future NAVps	Future EPS
Secured development pipeline	30-33	11-13
Secured University Partnerships	26-28	4
Secured USAF projects (Unite share)	2	-
Total secured pipeline	58-63	15-17

We will continue to manage the quality of the portfolio by recycling capital through disposals of assets with lower than average growth prospects and re-investing into developments and acquisitions of assets aligned to the best Universities.

Fire safety and cladding

Following the tragic events caused by the fire at Grenfell Tower, we completed a full review of fire safety across our estate. Working with the Ministry of Housing, Communities and Local Government, we identified six buildings that required some cladding to be replaced and / or further testing to be undertaken. This remedial work has now been completed in line with the costs and revenue impact that we outlined during 2017. The safety of our customers and staff remains our primary responsibility. Our buildings are modern, well maintained and built with advanced fire management specifications and have rigorous fire safety management and maintenance regimes. We have worked with the British Safety Council to design a specific fire safety audit and we are one of the first businesses to undertake this audit. We expect the results by the end of the year and will continue to work to maintain the high standards that we set ourselves.

A sustainable business

We continue to invest in the portfolio to maintain our buildings to a high standard and to take advantage of asset management opportunities. As part of this activity, we see opportunities to enhance the efficiency of our buildings through energy saving initiatives. Over the course of the last five years, we have invested £30 million into energy saving initiatives such as LED lighting, smart building controls, solar panels and air source heat pumps, with payback of under five years on these investments. We have developed an award-winning customer engagement programme, working closely with the National Union of Students, to encourage students to act in an environmentally friendly manner. We also purchase 100% renewable energy. The energy, water and carbon reductions from these initiatives have delivered significant savings that support our margin improvements.

Alongside our focus on our environmental impact, we believe strongly in supporting Universities to widen participation into Higher Education. The Unite Foundation works in partnership with 28 Universities to provide support to students from challenging backgrounds.

These improvements, along with other aspects of our Up to uS Responsible Business Strategy, have helped us maintain GRESB Green Star status and a 4-star rating and are reflected in other ESG assessments, including an ‘AA’ rating from MSCI ESG and listings on the FTSE4Good index and the GPR IPCM LFFS Sustainable GRES index.

FINANCIAL PERFORMANCE

Income statement

EPRA earnings per share is our key income performance measure and the detail of this performance is set out in the Performance Review section of this report. A full reconciliation of profit before tax to EPRA earnings is set out in the summary below and expanded in section 2 of the financial statements.

	30 Jun 2018 £m	30 Jun 2017 £m	31 Dec 2017 £m
EPRA earnings	52.9	40.4	70.5
Valuation gains and profit/loss on disposal	87.4	42.2	169.2
Changes in valuation of interest rate swaps and debt break costs	(0.1)	(0.3)	(12.3)
Minority interest and tax	2.3	1.6	2.0
Profit before tax	**142.5**	**83.9**	**229.4**
EPRA earnings per share	20.7p	18.0	30.3p
Basic earnings per share	53.9p	36.7p	95.3p

The increase in profit before tax is primarily the result of a higher level of unrealised valuation gains of £87 million being recognised in the first six months of 2018 compared with the £42 million recognised in 2017.

Cash flow and net debt

The Operations business generated £46 million of net cash in 2018 (2017: £38 million) and net debt decreased to £770 million (2017: £803 million). The key components of the movement in net debt were the operational cash flow and the share placing (generating total inflows of £213 million) offset by total capital expenditure of £131 million and dividends paid of £35 million. We expect net debt to continue to increase as capital expenditure on investment and development activity will exceed anticipated asset disposals.

Dividend

We have increased our dividend pay-out ratio to 85% of EPRA earnings and are declaring an interim dividend payment of 9.5 pence per share (30 June 2017: 7.3 pence), an increase of 30% over 2017. Of the 9.5 pence dividend, 6.5 pence will comprise a Property Income Distribution (PID).

The interim dividend will be paid on 2 November 2018 to shareholders on the register at close of business on 21 September 2018.

For those shareholders electing to the Company's scrip scheme (approved by shareholders at the Annual General Meeting in May 2018), this interim dividend will be paid in new ordinary shares on the PID element of this interim dividend (but not the non-PID element). The last date for receipt of scrip elections for this interim dividend is 12 October 2018. Details of the scrip scheme, terms and conditions and the process for election to the scrip scheme are available at the Company's website.

Tax and REIT conversion

The Group converted to REIT status and is exempt from tax on its property business, with effect from 1 January 2017. The deferred tax liability relating to unrealised gains on joint venture investments of £22.3 million, which are not exempt from tax, exceeds the deferred tax asset relating to tax adjusted losses carried forward of £11.3 million. As the losses can be set against gains as they arise, the deferred tax asset relating to the losses can be recognised in full against deferred tax liabilities.

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 £2-3 million per annum.

Share placing

We completed a placing and open offer of 22.2 million new ordinary shares in February 2018 at a price of 765 pence per share, raising gross proceeds of £170 million. The proceeds were used to invest in two new University Partnership schemes, located in Oxford and London.

The placing increased NAV at 30 June 2018 by 3 pence per share as the shares were issued at a 6% premium to the December 2017 net asset value. From an EPS perspective, the impact across 2018 and 2019 should be broadly neutral as funds can be used to pay down debt. In the medium term, we expect the additional University Partnerships to be materially accretive to both EPS and NAV per share.

Debt financing

As in previous years, we continue to focus on controlling gearing levels in line with our targets, extending debt maturities and minimising financing costs whilst ensuring that asset and financing strategies are properly aligned.

Key debt statistics (Unite share basis)	30 Jun 2018	30 Jun 2017	31 Dec 2017
Net debt	£770m	£696m	£803m
LTV	27%	30%	31%
Average debt maturity	4.8 years	5.2 years	5.3 years
Average cost of debt	4.1%	4.2%	4.1%
Proportion of investment debt at fixed rate	85%	93%	80%

The Group's see-through LTV reduced to 27% (31 December 2017: 31%). The reduction in net debt of £33 million has been driven primarily by the equity placing offset by the deployment of capital into development activity. 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 continuing to monitor our net debt to EBITDA ratio, which we expect to remain within our targeted range of 6-7x.

Interest rate hedging arrangements and cost of debt

Our average cost of debt has remained at 4.1% (31 December 2017: 4.1%) and the Group has 85% of investment debt subject to a fixed interest rate (31 December 2017: 80%) for an average term of 4.8 years (31 December 2017: 5.3 years). We will continue to proactively manage debt maturity profiles and to lock into longer term debt at rates below our current average cost of debt.

Funds and joint ventures

The table below summarises the key financials at 30 June 2018 for each vehicle:

	Property Assets £m	Net debt £m	Other assets £m	Net assets £m	Unite share of NAV £m	Maturity	Unite share
USAF	2,314	(642)	(19)	1,653	410	Infinite	25%
LSAV	1,202	(400)	(22)	780	390	2022	50%

USAF and LSAV have performed well in the six months to 30 June 2018 in line with the broader performance of the business. The secondary market for USAF units continues to operate effectively with £23 million of units trading so far this year at a small premium to NAV. There have been no redemption requests from investors during 2018. Unite has increased its share in USAF to 25% through the additional units issued from the performance fee.

USAF has approximately £50 million of acquisition capacity following disposals. Following the acquisition of the Aston Student Village, LSAV does not have any acquisition capacity. The development phase of the joint venture ended at the end of 2017 and so any further acquisitions or investments would require mutual consent from both Unite and GIC.

Fees

During the six months to June 2018, the Group recognised net fees of £7.0 million from its fund and asset management activities (30 June 2017: £8.3 million) as follows:

	30 Jun 2018 £m	30 Jun 2017 £m	31 Dec 2017 £m
USAF			
Asset management fee	5.5	5.2	10.1
Acquisition fee	-	0.3	0.4
Net performance fee	-	-	3.4
LSAV			
Asset and property management fee	1.5	2.3	4.0
Acquisition fee	-	0.5	0.5
Total fees	**7.0**	**8.3**	**18.4**

The asset management fees have decreased to £7.0 million (30 June 2017: £7.5 million) as a result of the sale of Woburn Place in London during 2017, reducing the assets under management in LSAV. No USAF performance fee has been recognised in the first half of the year (30 June 2017: £nil). Strong growth in net asset value of the fund over the past three years makes it more challenging to reach the hurdle rate required to generate a fee, but yield compression of around five basis points in the second half of 2018 would result in a fee this year.

OUTLOOK

The outlook for the business remains positive. The fundamentals of the sector provide a supportive backdrop, as UK Universities extend their global reputation and demonstrate their ability to adapt to a changing landscape. The student intake in 2018/19 is expected to be in line with the record levels seen over the past few years and we expect to see meaningful growth in the University cities where we operate.

Our approach to University Partnerships, alongside a growing number of other opportunities that we are exploring, will support our growth over the medium term. We continue to deliver a strong financial performance against all of our key metrics and remain well placed to deliver further growth in underlying earnings over the years to come. This financial performance is supported by our clear strategy to align our portfolio with the best performing Universities in the UK, providing high-quality service to students and leveraging this to strengthen our relationships with those Universities.

We see opportunities to build on our market leading position, enhancing our operating platform, delivering growth through further development, forward funds, acquisitions and University partnerships.

Responsibility statement of the directors in respect of the interim report and accounts

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU
- The interim management report includes a fair review of the information required by:

(a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Richard Smith
Chief Executive Officer

Joe Lister
Chief Financial Officer

24 July 2018

Forward-looking statements

The preceding interim statement has been prepared for the shareholders of the Company, as a body, and for no other persons. Its purpose is to assist shareholders of the Company to assess the strategies adopted by the Company and the potential for those strategies to succeed and for no other purpose. The interim statement contains forward-looking statements that are subject to risk factors associated with, amongst other things, the economic, regulatory and business circumstances occurring from time to time in the sectors and markets in which the Group operates. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a wide range of variables that could cause actual results to differ materially from those currently anticipated. No assurances can be given that the forward-looking statements will be realised. The forward-looking statements reflect the knowledge and information available at the date of preparation. Nothing in the interim statement should be considered or construed as a profit forecast for the Group. Except as required by law, the Group has no obligation to update forward-looking statements or to correct any inaccuracies therein.

Introduction and table of contents

These financial statements are prepared in accordance with IFRS. The Board of Directors also present the Group's performance on the basis recommended for real estate companies by the European Public Real Estate Association (EPRA). The reconciliation between IFRS performance measures and EPRA performance measures can be found in Section 2.2a for EPRA Earnings and 2.3a for EPRA net asset value (NAV). The adjustments to the IFRS results are intended to help users in the comparability of these results across other listed real estate companies in Europe and reflect how the directors monitor the business.

We have grouped the notes to the financial statements under three main headings:
- **Results for the period, including segmental information, EPRA earnings and EPRA NAV**
- **Asset management**
- **Funding**

Primary statements

Consolidated income statement

For the 6 months to 30 June 2018

	Note	Unaudited 6 months to 30 June 2018 Total £m	Unaudited 6 months to 30 June 2017 Total £m	Year to 31 December 2017 Total £m
Rental income	2.4	60.6	53.5	99.7
Property sales and other income	2.4	7.0	9.2	19.6
Total revenue		**67.6**	**62.7**	**119.3**
Cost of sales		(20.0)	(21.0)	(41.1)
Operating expenses		(11.1)	(12.9)	(26.9)
Results from operating activities		36.5	28.8	51.3
Gain / (Loss) on disposal of property		(0.5)	0.5	0.6
Net valuation gains on property	3.1a	59.1	28.3	103.1
Profit before net financing costs		**95.1**	**57.6**	**155.0**
Loan interest and similar charges		(5.9)	(9.3)	(17.3)
Swap cancellation and loan break costs		(0.1)	–	(11.5)
Finance costs		(6.0)	(9.3)	(28.8)
Finance income		0.1	–	0.1
Net financing costs		**(5.9)**	**(9.3)**	**(28.7)**
Share of joint venture profit	3.3a	53.3	35.6	103.1
Profit before tax		**142.5**	**83.9**	**229.4**
Current tax		(1.6)	(0.6)	(1.7)
Deferred tax		(2.0)	–	(3.9)
Profit for the period		**138.9**	**83.3**	**223.8**
Profit for the period attributable to				
Owners of the parent company	2.2c	137.9	82.4	221.6
Minority interest		1.0	0.9	2.2
		138.9	**83.3**	**223.8**
Earnings per share				
Basic	2.2c	53.9	36.7	95.3p
Diluted	2.2c	53.6	36.5	93.6p

All results are derived from continuing activities.

Consolidated statement of comprehensive income

For the 6 months to 30 June 2018

	Unaudited 6 months to 30 June 2018 £m	Unaudited 6 months to 30 June 2017 £m	Year to 31 December 2017 £m
Profit for the period	**138.9**	**83.3**	**223.8**
Movements in effective hedges	(0.6)	1.4	10.8
- Deferred tax in relation to movements in effective hedges	-	-	–
Share of joint venture movements in effective hedges	0.6	0.9	2.1
- Deferred tax in relation to share of joint venture movements in effective hedges	-	-	–
Other comprehensive income for the period	-	2.3	12.9
Total comprehensive income for the period	**138.9**	**85.6**	**236.7**
Attributable to			
Owners of the parent company	137.9	84.5	234.5
Minority interest	1.0	1.1	2.2
	138.9	**85.6**	**236.7**

All other comprehensive income may be classified as profit and loss in the future.

Consolidated balance sheet

At 30 June 2018

	Note	Unaudited 30 June 2018 £m	Unaudited 30 June 2017 £m	31 December 2017 £m
Assets				
Investment property	3.1a	1,313.4	1,051.1	1,261.4
Investment property under development	3.1a	331.3	263.4	205.7
Investment in joint ventures	3.3a	824.2	765.2	793.5
Other non-current assets		31.8	30.8	32.4
Total non-current assets		**2,500.7**	**2,110.5**	**2,293.0**
Inventories	3.2	13.2	3.7	4.5
Trade and other receivables		56.9	54.8	82.9
Cash and cash equivalents		49.3	35.3	51.2
Total current assets		**119.4**	**93.8**	**138.6**
Total assets		**2,620.1**	**2,204.3**	**2,431.6**
Liabilities				
Borrowings	4.1	(1.3)	(1.3)	(1.3)
Trade and other payables		(120.9)	(104.3)	(152.1)
Current tax liability		(7.2)	(2.2)	(4.1)
Total current liabilities		**(129.4)**	**(107.8)**	**(157.5)**
Borrowings	4.1	(458.6)	(459.1)	(511.5)
Interest rate swaps	4.2	(1.4)	(10.2)	(0.8)
Deferred tax liability		(9.6)	(4.5)	(7.6)
Total non-current liabilities		**(469.6)**	**(473.8)**	**(519.9)**
Total liabilities		**(599.0)**	**(581.6)**	**(677.4)**
Net assets		**2,021.1**	**1,622.7**	**1,754.2**
Equity				
Issued share capital		65.8	60.2	60.2
Share premium		740.3	579.2	579.5
Merger reserve		40.2	40.2	40.2
Retained earnings		1,151.2	931.6	1,051.2
Hedging reserve		(2.1)	(12.7)	(2.1)
Equity attributable to the owners of the parent company		**1,995.4**	**1,598.5**	**1,729.0**
Minority interest		25.7	24.2	25.2
Total equity		**2,021.1**	**1,622.7**	**1,754.2**

Consolidated statement of changes in shareholders' equity

For the 6 months to 30 June 2018

	Issued share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Hedging reserve £m	Attributable to owners of the parent £m	Minority interest £m	Total £m
At 1 January 2018	**60.2**	**579.5**	**40.2**	**1,051.2**	**(2.1)**	**1,729.0**	**25.2**	**1,754.2**
(Unaudited)								
Profit for the period	-	-	-	137.9	-	137.9	1.0	138.9
Other comprehensive income for the period	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	137.9	-	137.9	1.0	138.9
Shares issued	5.5	160.9	-	-	-	166.4	-	166.4
Scrip dividend related share issue	0.1	(0.1)	-	-	-	-	-	-
Fair value of share based payments	-	-	-	2.1	-	2.1	-	2.1
Deferred tax on share based payments	-	-	-	(1.8)	-	(1.8)	-	(1.8)
Own shares acquired	-	-	-	-	-	-	-	-
Redemption of convertible bond	-	-	-	-	-	-	-	-
Dividends to owners of the parent company	-	-	-	(38.2)	-	(38.2)	-	(38.2)
Dividends to minority interest	-	-	-	-	-	-	(0.5)	(0.5)
At 30 June 2018	**65.8**	**740.3**	**40.2**	**1,151.2**	**(2.1)**	**1,995.4**	**25.7**	**2,021.1**

	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 2017	**55.5**	**493.6**	**40.2**	**867.9**	**(15.0)**	**9.4**	**1,451.6**	**23.9**	**1,475.5**
(Unaudited)									
Profit for the period	–	–	–	82.4	–	–	82.4	0.9	83.3
Other comprehensive expense for the period	–	–	–	–	2.3	–	2.3	–	2.3
Total comprehensive income for the period	–	–	–	82.4	2.3	–	84.7	0.9	85.6
Shares issued	4.7	82.7	–	–	–	–	87.4		87.4
Fair value of share based payments	–	–	–	0.6	–	–	0.6	–	0.6
Deferred tax on share based payments	–	–	–	–	–	–	–	–	–
Own shares acquired	–	–	–	(1.9)	–	–	(1.9)	–	(1.9)
Redemption of convertible bond	–	2.9	–	5.8	–	(9.4)	(0.7)	–	(0.7)
Dividends to owners of the parent company	–	–	–	(23.2)	–	–	(23.2)	–	(23.2)
Dividends to minority interest	–	–	–	–	–	–	–	(0.6)	(0.6)
At 30 June 2017	**60.2**	**579.2**	**40.2**	**931.6**	**(12.7)**	**–**	**1,598.5**	**24.2**	**1,622.7**

	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 2017	**55.5**	**493.6**	**40.2**	**867.9**	**(15.0)**	**9.4**	**1,451.6**	**23.9**	**1,475.5**
Profit for the year	–	–	–	221.6	–	–	221.6	2.2	223.8
Other comprehensive expense for the year	–	–	–	–	12.9	–	12.9	–	12.9
Total comprehensive income for the year	–	–	–	221.6	12.9	–	234.5	2.2	236.7
Shares issued	4.7	83.0	–	–	–	–	87.7	–	87.7
Fair value of share based payments	–	–	–	1.5	–	–	1.5	–	1.5
Deferred tax on share based payments	–	–	–	0.7	–	–	0.7	–	0.7
Redemption of convertible bond	–	2.9	–	5.8	–	(9.4)	(0.7)	–	(0.7)
Own shares acquired	–	–	–	(1.9)	–	–	(1.9)	–	(1.9)
Dividends to owners of the parent company	–	–	–	(44.4)	–	–	(44.4)	–	(44.4)
Dividends to minority interest	–	–	–	–	–	–	–	(0.9)	(0.9)
At 31 December 2017	**60.2**	**579.5**	**40.2**	**1,051.2**	**(2.1)**	**–**	**1,729.0**	**25.2**	**1,754.2**

Consolidated statement of cash flows

For the 6 months to 30 June 2018

	Unaudited 6 months to 30 June 2018 £m	Unaudited 6 months to 30 June 2017 £m	Year to 31 December 2017 £m
Cash flows from operating activities	**24.5**	**9.2**	**58.4**
Cash flows from taxation	**(4.1)**	**(0.7)**	**(2.1)**
Investing activities			
Proceeds from sale of investment property	-	29.3	30.8
Dividends received	24.0	17.5	31.6
Interest received	0.1	–	0.1
Investment in joint ventures	-	(48.6)	(27.0)
Acquisition of intangible assets	(3.4)	(3.2)	(5.7)
Acquisition and development of property	(111.8)	(42.8)	(116.4)
Acquisition of plant and equipment	(0.6)	(1.0)	(4.4)
Cash flows from investing activities	**(91.7)**	**(48.8)**	**(91.0)**
Financing activities			
Interest paid in respect of financing activities	(10.0)	(12.0)	(23.2)
Swap cancellation costs	(0.1)	–	(9.5)
Proceeds from the issue of share capital	166.4	0.3	0.6
Payments to acquire own shares	-	(1.9)	(1.9)
Proceeds from non-current borrowings	104.1	71.0	254.0
Repayment of borrowings	(157.8)	(0.7)	(133.6)
Dividends paid to the owners of the parent company	(32.7)	(23.2)	(42.3)
Dividends paid to minority interest	(0.5)	(0.6)	(0.9)
Cash flows from financing activities	**69.4**	**32.9**	**43.2**
Net increase/(decrease) in cash and cash equivalents	**(1.9)**	**(7.4)**	**8.5**
Cash and cash equivalents at start of period	51.2	42.7	42.7
Cash and cash equivalents at end of period	**49.3**	**35.3**	**51.2**

Notes to the interim financial statements

Section 1: Basis of preparation

This section details the Group's accounting policies that relate to the interim financial statements.

Basis of preparation
This condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

The comparative figures for the financial year ended 31 December 2017 are not the company's statutory financial statements for that financial year. Those financial statements have been reported on by the company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matter to which the auditor 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.

The Board has continued to consider the principal risks and the appropriateness of risk management systems and consider that the principal risks remain largely consistent with those noted in the Annual Report for the year ended 31 December 2017 (pages 28 to 31). These are summarised as follows:

i. Reduction in demand as a result of a change in government policy or changes in behaviour of students
ii. Increased competition leading to higher levels of new supply
iii. Health and safety, and reputational damage
iv. Development risks
v. Property cycle risk
vi. Availability of finance, change in interest rate and risks associated with fund management.

As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the company's published consolidated financial statements for the year ended 31 December 2017, other than for new accounting standards and changes in accounting policies detailed below.

Impact of new accounting standards and changes in accounting policies

IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* both became effective on 1 January 2018.

IFRS 9

The application of IFRS 9 did not result in a significant impact on the classification, measurement and recognition of financial assets and financial liabilities within the consolidated financial statements.

The Group's existing hedge relationships at the date of transition qualified as hedges upon adoption of IFRS 9.

IFRS 15

The application of IFRS 15 did not result in a significant impact on revenue recognition within the consolidated financial statements.

The Group earns revenue from the following activities:

- Rental income
- Management fees
- USAF performance fee

Rental income

Revenue from rental income is recognised over a period of time.

Revenue from customers that represents rental lease income is recognised in accordance with IAS 17 *Leases* (IFRS 16 *Leases* with effect from 1 January 2019), with the non-lease component recognised in accordance with IFRS 15. This does not impact the timing of revenue recognition or the valuation of rental lease income.

Management fees

Revenue from management fees relates to one performance obligation and is recognised over a period of time.

USAF performance fee

Revenue from the USAF performance fee relates to one performance obligation and is recognised at a point in time.

IFRS 16

The Group continues to assess the full impact of IFRS 16 on both IFRS and EPRA measures and intends to adopt the new standard for the financial year ending 31 December 2019. The impact of the new standard will depend on the transition approach adopted and the contracts in effect at the time of adoption. It is therefore not yet practicable to provide a reliable estimate of the financial impact on the Group's consolidated results.

Going concern
The Group's business activities, together with the factors likely to affect its future development and position are set out in the Business Review.

The Group has prepared cash flow forecasts to the end of 2021. The Group has sufficient levels of cash headroom to meet all of its commitments. The Group maintains positive relationships with its lending banks and has historically secured new facilities before maturity dates and remained within its covenant levels. The Group is in full compliance with its covenants and expects to remain so.

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

Seasonality of operations
The results of the Group's operation segment, a separate business segment (see Section 2), are closely linked to the level of occupancy achieved in its portfolio of property. Occupancy typically falls over the summer months (particularly July and August) as students leave for the summer holidays. The Group mitigates the seasonal impact by the use of short–term summer tenancies. However, the second half–year typically has lower revenues from the existing portfolio.

Conversely, the Group's build cycle for new properties is to plan to complete construction shortly before the start of the academic year in September each year. The addition of these completed properties in the second half increases the Operations segment's revenues in that period.

Section 2: Results for the period

This section focuses on the results and performance of the Group and provides a reconciliation between the primary statements and EPRA performance measures. On the following pages you will find disclosures explaining the Group's results for the period, segmental information, earnings and net asset value (NAV) per share.

The Group uses EPRA earnings and NAV movement as key comparable indicators across other real estate companies in Europe.

Performance measures

	Note	Unaudited 30 June 2018 £	Unaudited 30 June 2017 £	31 December 2017 £
Earnings basic	2.2c	**137.9m**	82.4m	221.6m
Earnings diluted	2.2c	**137.9m**	83.9m	223.0m
Basic earnings per share (pence)	2.2c	**53.9p**	36.7p	95.3p
Diluted earnings per share (pence)	2.2c	**53.9p**	36.5p	93.6p
Net assets basic	2.3c	**1,995.4**	1,598.5	1,729.0m
Basic NAV per share (pence)	2.3d	**758p**	663p	717p

EPRA performance measures

	Note	Unaudited 30 June 2018 £	Unaudited 30 June 2017 £	31 December 2017 £
EPRA earnings	2.2a	**52.9m**	40.4m	70.5m
EPRA earnings per share (pence)	2.2c	**20.7p**	18.0p	30.3p
EPRA NAV	2.3a	**2,008.5m**	1,616.3m	1,740.4m
EPRA NAV per share (pence)	2.3d	**761p**	669p	720p
EPRA NNNAV	2.3c	**1,950.3m**	1,615.4m	1,673.9m
EPRA NNNAV per share (pence)	2.3d	**739p**	668p	692p

2.1 Segmental information

The Board of Directors monitor the business along two activity lines, Operations and Property. The reportable segments for the 6 months ended 30 June 2018 and 30 June 2017 and for the year ended 31 December 2017 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 geographical segment.

2.2 Earnings

EPRA earnings amends IFRS measures by removing principally the unrealised investment property valuation gains and losses such that users of the Financials are able to see the extent to which dividend payments (dividends per share) are underpinned by earnings arising from purely operational activity. The reconciliation between Profit attributable to owners of the parent company and EPRA earnings is available in note 2.2 (b).

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 way in which the Operations segment adds value to the business is set out in the Operations review on pages 32 – 35 of the 2017 Annual Report. 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

Unaudited 30 June 2018

	UNITE	Share of joint ventures			Group on see through basis
	Total £m	USAF £m	LSAV £m	Total £m	Total £m
Rental income	60.6	21.8	19.5	41.3	101.9
Property operating expenses	(13.9)	(5.7)	(3.8)	(9.5)	(23.4)
Net operating income	**46.7**	**16.1**	**15.7**	**31.8**	**78.5**
Management fees	10.2	(1.7)	(1.5)	(3.2)	7.0
Operating expenses	(10.0)	(0.1)	(0.3)	(0.4)	(10.4)
Operating lease rentals*	(6.1)	-	-	-	(6.1)
Net financing costs	(5.8)	(3.0)	(4.4)	(7.4)	(13.2)
Operations segment result	**35.0**	**11.3**	**9.5**	**20.8**	**55.8**
Property segment result	**(0.5)**	**-**	**-**	**-**	**(0.5)**
Unallocated to segments	**(2.2)**	**(0.1)**	**(0.1)**	**(0.2)**	**(2.4)**
EPRA earnings	**32.3**	**11.2**	**9.4**	**20.6**	**52.9**

Included in the above is rental income of £11.8 million and property operating expenses of £3.8 million relating to sale and leaseback properties. The unallocated to segments balance includes the fair value of share based payments of (£0.2 million), UNITE Foundation of (£0.4 million), deferred tax of (£0.1 million) and current tax charges of (£1.6 million).

* Operating lease rentals arise from properties which the Group has sold and is now leasing back. These properties were sold to generate financing and they now contribute to the Group's rental income and incur property operating expenses. Therefore the Group consider these lease costs to be a form of financing.

Unaudited 30 June 2017

	UNITE	Share of joint ventures			Group on see through basis
	Total £m	USAF £m	LSAV £m	Total £m	Total £m
Rental income	53.5	20.7	18.2	38.9	92.4
Property operating expenses	(14.1)	(5.1)	(2.5)	(7.6)	(21.7)
Net operating income	**39.4**	**15.6**	**15.7**	**31.3**	**70.7**
Management fees	11.3	(1.5)	(2.3)	(3.8)	7.5
Operating expenses	(11.8)	(0.2)	(0.2)	(0.4)	(12.2)
Operating lease rentals*	(6.4)	–	–	–	(6.4)
Net financing costs	(9.3)	(2.8)	(5.1)	(7.9)	(17.2)
Operations segment result	**23.2**	**11.1**	**8.1**	**19.2**	**42.4**
Property segment result	**(0.5)**	–	–	–	**(0.5)**
Unallocated to segments	**(1.2)**	**(0.1)**	**(0.2)**	**(0.3)**	**(1.5)**
EPRA earnings	**21.5**	**11.0**	**7.9**	**18.9**	**40.4**

Included in the above is rental income of £11.9 million and property operating expenses of £3.8 million relating to sale and leaseback properties. The unallocated to segments balance includes the fair value of share based payments of (£0.7 million), UNITE Foundation of (£0.6 million), JV acquisition fees of £0.8 million, current tax charges of (£0.7 million) and deferred tax charges of (£0.2 million).

* Operating lease rentals arise from properties which the Group has sold and is now leasing back. These properties were sold to generate financing and they now contribute to the Group's rental income and incur property operating expenses. Therefore the Group consider these lease costs to be a form of financing.

31 December 2017

	UNITE	Share of joint ventures			Group on see through basis
	Total £m	USAF £m	LSAV £m	Total £m	Total £m
Rental income	99.7	36.9	34.2	71.1	170.8
Property operating expenses	(28.4)	(10.2)	(5.7)	(15.9)	(44.3)
Net operating income	**71.3**	**26.7**	**28.5**	**55.2**	**126.5**
Management fees	21.0	(2.9)	(4.0)	(6.9)	14.1
Operating expenses	(23.9)	(0.3)	(0.4)	(0.7)	(24.6)
Operating lease rentals*	(12.6)	–	–	–	(12.6)
Net financing costs	(17.2)	(5.7)	(9.7)	(15.4)	(32.6)
Operations segment result	**38.6**	**17.8**	**14.4**	**32.2**	**70.8**
Property segment result	**(1.5)**	–	–	–	**(1.5)**
Unallocated to segments	**2.4**	**(0.8)**	**(0.4)**	**(1.2)**	**1.2**
EPRA earnings	**39.5**	**17.0**	**14.0**	**31.0**	**70.5**

Included in the above is rental income of £21.3 million and property operating expenses of £7.7 million relating to sale and leaseback properties. The unallocated to segments balance includes the fair value of share based payments of (£1.5 million), UNITE Foundation of (£0.7 million), fees received from USAF relating to acquisitions £0.9 million, USAF performance fee of £3.4 million (net of adjustment related to trading with joint ventures), deferred tax of £0.6 million and current tax charges of (£1.5 million).

* Operating lease rentals arise from properties which the Group has sold and is now leasing back. These properties were sold to generate financing and they now contribute to the Group's rental income and incur property operating expenses. Therefore the Group consider these lease costs to be a form of financing.

b) IFRS reconciliation to EPRA earnings

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. EPRA earnings reconcile to the profit attributable to owners of the parent company as follows:

	Note	Unaudited 6 months to 30 June 2018 £m	Unaudited 6 months to 30 June 2017 £m	Year to 31 December 2017 £m
EPRA earnings	2.2a	**52.9**	**40.4**	**70.5**
Net valuation gains on investment property		59.1	28.3	103.1
Property disposals and write downs		(0.5)	0.5	0.6
Share of joint venture gains on investment property	3.3a	28.8	11.7	65.0
Share of joint venture property disposals and write downs		-	1.7	0.5
Swap cancellation and loan break costs		(0.1)	–	(11.5)
Share of joint venture swap cancellation costs		-	(0.3)	(0.8)
Deferred tax relating to properties		(1.9)	0.3	(4.5)
Minority interest share of reconciling items*		(0.4)	(0.2)	(1.3)
Profit attributable to owners of the parent company		**137.9**	**82.4**	**221.6**

* The minority interest share, or non-controlling interest, arises as a result of the Group 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 Basic 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 period. Basic EPS is adjusted in line with EPRA guidelines in order to allow users to compare the business performance of the Group with other listed real estate companies in a consistent manner and to reflect how the business is managed and measured on a day to day basis. EPRA EPS is calculated using EPRA earnings.

The calculations of basic, diluted and EPRA EPS are as follows:

	Note	Unaudited 6 months to 30 June 2018 £m	Unaudited 6 months to 30 June 2017 £m	Year to 31 December 2017 £m
Earnings				
Basic		137.9	82.4	221.6
Diluted		137.9	83.9	223.0
EPRA	2.2a	52.9	40.4	70.5
Adjusted EPRA	2.2a	52.9	40.4	70.5
Weighted average number of shares (thousands)				
Basic		255,988	224,416	232,503
Dilutive potential ordinary shares (share options and convertible bond)		1,316	5,563	5,627
Diluted		257,304	229,979	238,130
Earnings per share (pence)				
Basic		53.9	36.7p	95.3p
Diluted		53.6	36.5p	93.6p
EPRA EPS		**20.7**	**18.0p**	**30.3p**

The total number of ordinary shares in issue as at 30 June 2018 is 263,419,000 (30 June 2017: 241,187,000, 31 December 2017: 241,279,000)

2.3 Net Assets

EPRA net asset value per share makes adjustments to IFRS measures by principally removing some items that are not expected to materialise in normal circumstances like items of deferred tax and the fair value of financial derivatives. The reconciliation between IFRS NAV and EPRA NAV is available in note 2.3 (c).

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. The way in which the Property segment adds value to the business is set out in the Property review on pages 36 - 41 of the 2017 Annual Report.

a) EPRA net assets

	Unaudited 30 June 2018				
	UNITE	Share of joint ventures			Group on EPRA basis
	Total £m	USAF £m	LSAV £m	Total £m	Total £m
Investment properties	1,313.4	559.7	600.9	1,160.6	2,474.0
Investment properties under development	331.3	14.0	-	14.0	345.3
Total property portfolio	**1,644.7**	**573.7**	**600.9**	**1,174.6**	**2,819.3**
Debt on properties	(459.9)	(171.0)	(212.6)	(383.6)	(843.5)
Cash	49.3	11.8	12.3	24.1	73.4
Net debt	**(410.6)**	**(159.2)**	**(200.3)**	**(359.5)**	**(770.1)**
Other liabilities	(24.8)	(4.7)	(11.1)	(15.8)	(40.6)
EPRA net assets	**1,209.3**	**409.8**	**389.5**	**799.3**	**2,008.6**
Loan to value	**25%**	**28%**	**33%**	**31%**	**27%**

	Unaudited 30 June 2017				
	UNITE	Share of joint ventures			Group on EPRA basis
	Total £m	USAF £m	LSAV £m	Total £m	Total £m
Investment properties	1,051.1	473.0	542.1	1,015.1	2,066.2
Investment properties under development	263.4	13.8	-	13.8	277.2
Total property portfolio	**1,314.5**	**486.8**	**542.1**	**1,028.9**	**2,343.4**
Debt on properties	(460.4)	(161.5)	(249.5)	(411.0)	(871.4)
Cash	35.3	44.5	95.9	140.4	175.7
Net debt	**(425.1)**	**(117.0)**	**(153.6)**	**(270.6)**	**(695.7)**
Other liabilities	(16.7)	(4.3)	(10.4)	(14.7)	(31.4)
EPRA net assets	**872.7**	**365.5**	**378.1**	**743.6**	**1,616.3**
Loan to value	**32%**	**24%**	**28%**	**26%**	**30%**

	UNITE	Share of joint ventures			Group on EPRA basis
	Total £m	**USAF £m**	**LSAV £m**	**Total £m**	**Total £m**
Investment properties	1,261.4	538.7	579.3	1,118.0	2,379.4
Investment properties under development	205.7	10.2	–	10.2	215.9
Total property portfolio	**1,467.1**	**548.9**	**579.3**	**1,128.2**	**2,595.3**
Debt on properties	(512.9)	(169.5)	(212.3)	(381.8)	(894.7)
Cash	51.2	25.0	15.6	40.6	91.8
Net debt	**(461.7)**	**(144.5)**	**(196.7)**	**(341.2)**	**(802.9)**
Other assets/(liabilities)	(34.7)	(5.2)	(12.1)	(17.3)	(52.0)
EPRA net assets (pre convertible)	**970.7**	**399.2**	**370.5**	**769.7**	**1,740.4**
Loan to value	**31%**	**26%**	**34%**	**30%**	**31%**

b) Movement in EPRA NAV during the period

Contributions to EPRA NAV by each segment during the period are as follows:

Unaudited 30 June 2018

	UNITE	Share of joint ventures			Group on see through basis
	Total £m	USAF £m	LSAV £m	Total £m	Total £m
Operations					
Operations segment result	**35.0**	**11.2**	**9.5**	**20.7**	**55.7**
Property					
Rental growth	30.6	3.0	8.7	11.7	42.3
Yield movement	19.1	3.9	12.7	16.6	35.7
Disposals and acquisition costs	(0.5)	-	0.1	0.1	(0.4)
Investment property gains	49.2	6.9	21.5	28.4	77.6
Development property gains	9.4	-	-	-	9.4
Pre-contract and other development costs	(0.5)	-	-	-	(0.5)
Total property	**58.1**	**6.9**	**21.5**	**28.4**	**86.5**
Unallocated					
Shares issued	166.4	-	-	-	166.4
Investment in joint ventures	19.6	(7.3)	(12.3)	(19.6)	-
Dividends paid	(38.2)	-	-	-	(38.2)
Swap cancellation and loan break costs	(0.1)	-	-	-	(0.1)
Other	(2.2)	(0.2)	0.3	0.1	(2.1)
Total unallocated	**145.5**	**(7.5)**	**(12.0)**	**(19.5)**	**126.0**
Total EPRA NAV movement in the period	**238.6**	**10.6**	**19.0**	**29.6**	**268.2**
Total EPRA NAV brought forward	970.7	399.2	370.5	769.7	1,740.4
Total EPRA NAV carried forward	**1,209.3**	**409.8**	**389.5**	**799.3**	**2,008.6**

The £2.2 million charge that comprises the other balance within the unallocated segment includes a tax charge of £1.6 million, a contribution of £0.4 million to the UNITE Foundation, fair value of share options charge of £0.3 million and own shares acquired of (£0.1 million).

Unaudited 30 June 2017

	UNITE	Share of joint ventures			Group on see through basis
	Total £m	USAF £m	LSAV £m	Total £m	Total £m
Operations					
Operations segment result	**23.2**	**11.1**	**8.1**	**19.2**	**42.4**
Property					
Rental growth	18.6	4.6	4.1	8.7	27.3
Yield movement	(1.9)	0.9	1.0	1.9	-
Disposals and acquisition costs	0.5	(1.0)	2.8	1.8	2.3
Investment property gains	17.2	4.5	7.9	12.4	29.6
Development property gains	11.6	0.2	-	0.2	11.8
Pre-contract and other development costs	(0.5)	-	-	-	(0.5)
Total property	**28.3**	**4.7**	**7.9**	**12.6**	**40.9**
Unallocated					
Shares issued	87.4	-	-	-	87.4
Investment in joint ventures	(39.9)	(2.3)	42.2	39.9	--
Convertible bond	(85.5)	-	-	-	(85.5)
Dividends paid	(23.2)	-	-	-	(23.2)
JV property acquisition fee	0.8	-	-	-	0.8
Swap cancellation and loan break costs	-	-	(0.3)	(0.3)	(0.3)
Other	(3.3)	(0.1)	(0.1)	(0.2)	(3.5)
Total unallocated	**(63.7)**	**(2.4)**	**41.8**	**39.4**	**(24.3)**
Total EPRA NAV movement in the period	**(12.2)**	**13.4**	**57.8**	**71.2**	**59.0**
Total EPRA NAV brought forward	884.9	352.1	320.3	672.4	1,557.3
Total EPRA NAV carried forward	**872.7**	**365.5**	**378.1**	**743.6**	**1,616.3**

The £3.5 million charge that comprises the other balance within the unallocated segment includes a tax charge of £0.9 million, a contribution of £0.6 million to the UNITE Foundation, fair value of share options charge of £0.7 million and own shares acquired of £1.3 million.

31 December 2017

	UNITE	Share of joint ventures			Group on see through basis
	Total £m	USAF £m	LSAV £m	Total £m	Total £m
Operations	**38.6**	**17.8**	**14.4**	**32.2**	**70.8**
Operations segment result					
Property					
Rental growth	41.0	10.3	10.0	20.3	61.3
Yield movement	23.6	11.8	30.8	42.6	66.2
Disposals and acquisition gains	0.6	(1.2)	1.8	0.6	1.2
Investment property gains	65.2	20.9	42.6	63.5	128.7
Development property gains	38.5	0.6	–	0.6	39.1
Pre-contract/other development costs	(1.5)	–	–	–	(1.5)
Total property	**102.2**	**21.5**	**42.6**	**64.1**	**166.3**
Unallocated					
Shares issued	87.7	–	–	–	87.7
Investment in joint ventures	(3.7)	8.8	(5.1)	3.7	–
Convertible bond	(85.4)	–	–	–	(85.4)
Dividends paid	(44.4)	–	–	–	(44.4)
USAF performance fee	4.0	(0.6)	–	(0.6)	3.4
JV property acquisition fee	1.6	(0.2)	(0.5)	(0.7)	0.9
Swap cancellation and loan break costs	(11.5)	–	(0.8)	(0.8)	(12.3)
Other	(3.3)	(0.2)	(0.4)	(0.6)	(3.9)
Total unallocated	**(55.0)**	**7.8**	**(6.8)**	**1.0**	**(54.0)**
Total EPRA NAV movement in the year	**85.8**	**47.1**	**50.2**	**97.3**	**183.1**
Total EPRA NAV brought forward	884.9	352.1	320.3	672.4	1,557.3
Total EPRA NAV carried forward	**970.7**	**399.2**	**370.5**	**769.7**	**1,740.4**

The £3.9 million charge that comprises the other balance within the unallocated segment includes a tax charge of £0.9 million, fair value of share options charge of £1.4 million, £0.7 million relating to the redemption of convertible bond, purchase of own shares £0.3m and £0.7million for the UNITE Foundation.

c) Reconciliation to IFRS

To determine EPRA NAV, net assets reported under IFRS are amended to exclude mark to market valuation of swaps, deferred tax liabilities and to recognise all properties at market value.

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

The Net Assets reported under IFRS reconcile to EPRA NAV and EPRA NNNAV as follows:

	Note	Unaudited 6 months to 30 June 2018 £m	Unaudited 6 months to 30 June 2017 £m	Year to 31 December 2017 £m
Net asset value reported under IFRS		**1,995.5**	**1,598.5**	**1,729.0**
Mark to market interest rate swaps		2.1	12.7	2.1
Deferred tax		11.0	5.1	9.3
EPRA NAV	2.3a	**2,008.6**	**1,616.3**	**1,740.4**
Mark to market of fixed rate debt		(45.2)	16.9	(55.1)
Mark to market interest rate swaps		(2.1)	(12.7)	(2.1)
Deferred tax		(11.0)	(5.1)	(9.3)
EPRA NNNAV		**1,950.3**	**1,615.4**	**1,673.9**

d) NAV per share

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

	Note	Unaudited 30 June 2018 £m	Unaudited 30 June 2017 £m	31 December 2017 £m
Net assets				
Basic	2.3c	**1,995.5**	1,598.5	1,729.0
EPRA	2.3a	**2,008.6**	1,616.3	1,740.4
EPRA diluted		**2.010.9**	1,618.8	1,743.0
EPRA NNNAV (diluted)		**1.952.4**	1,617.9	1,676.5
Number of shares (thousands)				
Basic		**263,419**	241,187	241,279
Convertible bond shares		**-**	-	–
Outstanding share options		**744**	951	919
Diluted		**264,163**	242,138	242,198
Net asset value per share (pence)				
Basic		**758p**	663p	717p
EPRA		**763p**	670p	721p
EPRA (fully diluted)		**761p**	669p	720p
EPRA NNNAV (fully diluted)		**739p**	668p	692p

2.4. Revenue and costs

The Group earns revenue from the following activities:

		Note	Unaudited 6 months to 30 June 2018 £m	Unaudited 6 months to 30 June 2017 £m	Year to 31 December 2017 £m
Rental income	Operations segment	2.2a	60.6	53.5	99.7
Management fees	Operations segment		7.1	8.5	16.5
Development fees	Property segment		-	0.8	–
USAF performance fee	Unallocated		-	-	3.4
			67.7	62.8	119.6
Impact of minority interest on management fees			(0.1)	(0.1)	(0.1)
Total revenue			**67.6**	**62.7**	**119.3**

The cost of sales included in the consolidated income statement includes property operating expenses of £14.8 million (30 June 2017: £14.1 million), operating lease rentals of £5.1 million (30 June 2017: £6.4 million), costs associated with development fees of £nil million (30 June 2017: £0.5 million).

Section 3: Asset management

The Group holds its property portfolio directly and through its joint ventures. The performance of the property portfolio whether wholly owned or in joint ventures is the key factor that drives Net Asset Value (NAV), one of the Group's key performance indicators.

The following pages provide disclosures about the Group's investments in property assets and joint ventures and their performance over the period.

3.1 Wholly owned property assets

The Group's wholly owned property portfolio is held in two 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. These assets are held at fair value in the balance sheet with changes in fair value taken to the income statement.

a) Valuation process

The valuation of the properties are performed twice a year on the basis of valuation reports prepared by external, independent valuers, having an appropriate recognised professional qualification. The fair values are based on market values as defined in the RICS Appraisal and Valuation Manual, issued by the Royal Institution of Chartered Surveyors. CB Richard Ellis Ltd, Jones Lang LaSalle Ltd and Knight Frank, Chartered Surveyors were the valuers in the 6 months ending 30 June 2018 and throughout 2017.

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 Operations Board, Property Board and the CFO. This includes a review of the fair value movements over the period.

The movements in the carrying value of the Group's wholly owned property portfolio during the period ended 30 June 2018 are shown in the table below. The fair value of the Group's wholly owned property portfolio at the period ended 30 June 2018 is also shown below:

Unaudited 30 June 2018

	Investment property £m	Investment property under development £m	Total £m
At 1 January 2018	1,261.4	205.7	1,467.1
Cost capitalised	2.3	109.9	112.2
Interest capitalised	-	5.4	5.4
Transfer from work in progress	-	0.9	0.9
Disposals	-	-	-
Valuation gains	52.2	15.4	67.6
Valuation losses	(2.5)	(6.0)	(8.5)
Net valuation gains	49.7	9.4	59.1
Carrying value and market value at 30 June 2018	**1,313.4**	**331.3**	**1,644.7**

The movements in the carrying value of the Group's wholly owned property portfolio during the period ended 30 June 2017 are shown in the table below. The fair value of the Group's wholly owned property portfolio at the period ended 30 June 2017 is also shown below:

Unaudited 30 June 2017

	Investment property £m	Investment property under development £m	Total £m
At 1 January 2017	1,061.6	184.6	1,246.2
Cost capitalised	1.5	62.6	64.1
Interest capitalised	-	3.8	3.8
Transfer from work in progress	-	0.8	0.8
Disposals	(28.7)	-	(28.7)
Valuation gains	21.2	14.5	35.7
Valuation losses	(4.5)	(2.9)	(7.4)
Net valuation gains	16.7	11.6	28.3
Carrying value and market value at 30 June 2017	**1,051.1**	**263.4**	**1,314.5**

The movements in the carrying value of the Group's wholly owned property portfolio during the year ended 31 December 2017 are shown in the table below. The fair value of the Group's wholly owned properties at the year ended 31 December 2017 is also shown below.

31 December 2017

	Investment property £m	Investment property under development £m	Total £m
At 1 January 2017	1,061.6	184.6	1,246.2
Cost capitalised	7.6	130.7	138.3
Interest capitalised	–	7.4	7.4
Transfer from investment property under development	156.3	(156.3)	–
Transfer from work in progress	–	0.8	0.8
Disposals	(28.7)	–	(28.7)
Valuation gains	78.6	43.6	122.2
Valuation losses	(14.0)	(5.1)	(19.1)
Net valuation gains	64.6	38.5	103.1
Carrying value and market value at 31 December 2017	**1,261.4**	**205.7**	**1,467.1**

b) Fair value measurement

All investment and development properties are classified as Level 3 in the fair value hierarchy.

Class of asset	6 months to 30 June 2018 £m	6 months to 30 June 2017 £m	31 December 2017 £m
London – Rental properties	488.8	431.6	465.9
Major regional – Rental properties	581.4	429.4	566.7
Other regional – Rental properties	243.2	190.1	228.8
Major regional – Development properties	292.9	220.8	178.7
Other regional – Development properties	38.4	42.6	27.0
Market value	**1,644.7**	**1,314.5**	**1,467.1**

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 valuation also reflects 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.

c) Fair value using unobservable inputs (Level 3)

	6 months to 30 June 2018 £m	6 months to 30 June 2017 £m	31 December 2017 £m
Opening fair value	1,467.1	1,246.2	1,246.2
Gains and losses recognised in income statement	59.1	28.3	103.1
Capital expenditure	118.5	68.7	146.5
Disposals	-	(28.7)	(28.7)
Closing fair value	**1,644.7**	**1,314.5**	**1,467.1**

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

	Fair value £m	Valuation technique	Unobservable inputs	Range	Weighted average
London		Discounted	Net rental income (£ per week)	£184 - £355	£267
- rental properties	488.8	cash flows	Estimated future rent (%)	2% - 7%	3%
			Discount rate (yield) (%)	4.0% - 5.1%	4.3%
Major regional		Discounted	Net rental income (£ per week)	£86 - £165	£136
- rental properties	581.4	cash flows	Estimated future rent (%)	1% - 6%	3%
			Discount rate (yield) (%)	4.5% - 5.1%	5.5%
Other regional		Discounted	Net rental income (£ per week)	£100 - £174	£135
- rental properties	243.2	cash flows	Estimated future rent (%)	2% - 7%	4%
			Discount rate (yield) (%)	5.0% - 14.0%	5.9%
Major regional		Discounted	Estimated cost to complete (£m)	£1.0m - £73.1m	£34.8m
- development properties	292.9	cash flows	Estimated future rent (%)	3%	3%
			Discount rate (yield) (%)	4.8% - 6.5%	5.4%
Other regional		Discounted	Estimated cost to complete (£m)	£1.9m	£1.9m
- development properties	38.4	cash flows	Estimated future rent (%)	3%	3%
			Discount rate (yield) (%)	5.6%	5.6%
Fair value at 30 June 2018	**1,644.7**				

	Fair value £m	Valuation technique	Unobservable inputs	Range	Weighted average
London		Discounted	Net rental income (£ per week)	£183 - £345	£256
- rental properties	431.6	cash flows	Estimated future rent (%)	1% - 6%	3%
			Discount rate (yield) (%)	4.5% - 5.2%	4.7%
Major regional		Discounted	Net rental income (£ per week)	£106 - £157	£134
- rental properties	429.4	cash flows	Estimated future rent (%)	1% - 6%	3%
			Discount rate (yield) (%)	5.2% - 7.0%	5.7%
Other regional		Discounted	Net rental income (£ per week)	£94 - £164	£132
- rental properties	190.1	cash flows	Estimated future rent (%)	0% - 8%	4%
			Discount rate (yield) (%)	5.4% - 12.5%	6.2%
Major regional		Discounted	Estimated cost to complete (£m)	£4.1m - £61.6m	£36.5m
- development properties	220.8	cash flows	Estimated future rent (%)	3%	3%
			Discount rate (yield) (%)	4.7% - 6.2%	5.6%
Other regional		Discounted	Estimated cost to complete (£m)	£3.7m – 23.3m	£15.0m
- development properties	42.6	cash flows	Estimated future rent (%)	3%	3%
			Discount rate (yield) (%)	5.7% - 5.8%	5.7%
Fair value at 30 June 2017	**1,314.5**				

	Fair value £m	Valuation technique	Unobservable inputs	Range	Weighted average
London – rental properties	465.9	Discounted cash flows	Net rental income (£ per week)	£183 – £345	£255
			Estimated future rent (%)	1% – 6%	3%
			Discount rate (yield) (%)	4.2% – 5.0%	4.5%
Major regional – rental properties	566.7	Discounted cash flows	Net rental income (£ per week)	£100 – £157	£134
			Estimated future rent (%)	1% – 6%	3%
			Discount rate (yield) (%)	4.5% – 7.0%	5.5%
Other regional – rental properties	228.8	Discounted cash flows	Net rental income (£ per week)	£94 – £164	£134
			Estimated future rent (%)	2% – 8%	4%
			Discount rate (yield) (%)	5.2% – 13.5%	6.0%
Major regional – development properties	178.7	Discounted cash flows	Estimated cost to complete (£m)	£8.1m – £81.9m	£47m
			Estimated future rent (%)	3%	3%
			Discount rate (yield) (%)	5.3% – 6.0%	5.6%
Other regional – development properties	27.0	Discounted cash flows	Estimated cost to complete (£m)	£11.4m	£11.4m
			Estimated future rent (%)	3%	3%
			Discount rate (yield) (%)	5.7%	5.7%
Fair value at 31 December 2017	**1,467.1**				

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

	Unaudited 6 months to 30 June 2018 £m	Unaudited 6 months to 30 June 2017 £m	Year to 31 December 2017 £m
Interests in land	8.2	1.1	0.9
Other stocks	5.0	2.6	3.6
Inventories	**13.2**	**3.7**	**4.5**

3.3 Investments in joint ventures

The Group has two joint ventures:

Joint venture	Group's share of assets/results 2018 (December 2017)	Objective	Partner	Legal entity in which Group has interest
The UNITE UK Student Accommodation Fund (USAF)	26.4%* (26.2%)	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 24.8% (30 June 2017: 23.5%, 31 December 2017: 24.6%) of USAF.

a) 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 £30.8 million during the 6 months ended 30 June 2018 (30 June 2017: £72.3 million), resulting in an overall carrying value of £824.3 million (30 June 2017: £765.2 million). The following table shows how the increase has been achieved.

	Unaudited 6 months to 30 June 2018 £m	Unaudited 6 months to 30 June 2017 £m	Year to 31 December 2017 £m
Recognised in the income statement:			
Operations segment result	20.8	19.2	32.2
Minority interest share of Operations segment result	0.7	0.7	1.1
Management fee adjustment relating to trading with joint venture	3.3	2.8	5.7
Net revaluation gains	28.8	11.7	65.0
Loss on cancellation of interest rate swaps	-	(0.3)	(0.8)
Profit on disposal of properties	-	1.7	0.5
Other	(0.2)	(0.2)	(0.6)
	53.4	35.6	103.1
Recognised in equity:			
Movement in effective hedges	0.6	0.9	2.1
Other adjustments to the carrying value:			
Profit adjustment related to trading with joint venture	(3.2)	(3.4)	(7.4)
Additional capital invested in USAF	-	-	18.5
Performance fee units issued in USAF	4.0	8.1	8.1
Additional capital invested in LSAV	-	48.6	8.5
USAF performance fee	-	-	(0.7)
Distributions received	(24.0)	(17.5)	(31.6)
Increase in carrying value	**30.8**	**72.3**	**100.6**
Carrying value brought forward	793.5	692.9	692.9
Carrying value carried forward	**824.3**	**765.2**	**793.5**

b) 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 Joint Ventures as consideration for the performance fee. The Group has recognised the following fees in its results for the period.

	Unaudited 6 months to 30 June 2018 £m	Unaudited 6 months to 30 June 2017 £m	Year to 31 December 2017 £m
USAF	7.3	6.6	13.1
LSAV	2.9	4.7	7.9
Asset and property management fees	**10.2**	**11.3**	**21.0**
LSAV	-	–	–
Development management fees	**-**	**–**	**–**
USAF performance fee	-	–	4.0
USAF acquisition fee	-	0.3	0.7
LSAV acquisition fee	-	1.0	1.0
Investment management fees	**-**	**1.3**	**5.7**
Total fees	**10.2**	**12.6**	**26.7**

Section 4: Funding

The Group finances its development and investment activities through a mixture of retained earnings, borrowings and equity. The Group continuously monitors its financing arrangements to manage its gearing.

Interest rate swaps are used to manage the Group's risk to fluctuations in interest rate movements.

The following pages provide disclosures about the Group's funding position, including borrowings and hedging instruments.

4.1 Borrowings

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

	Unaudited 6 month to 30 June 2018	Unaudited 6 month to 30 June 2017	Year to 31 December 2017
	£m	£m	£m
Current			
In one year or less, or on demand	1.3	1.3	1.3
Non-current			
In more than one year but not more than two years	223.7	22.8	1.4
In more than two years but not more than five years	110.9	305.5	379.4
In more than five years	124.0	130.8	130.7
	458.6	459.1	511.5
Total borrowings	**459.9**	**460.4**	**512.8**

The carrying value of borrowings is considered to be approximate to fair value, except for the Group's fixed rate loans as analysed below:

	Unaudited 6 months to 30 June 2018		Unaudited 6 months to 30 June 2017		Year to 31 December 2017	
	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m
Level 1 IFRS fair value hierarchy	90.0	95.5	90.0	98.4	90.0	96.1
Level 2 IFRS fair value hierarchy	238.5	258.3	239.7	217.9	239.1	263.8
Other loans	131.4	131.4	130.7	130.7	183.7	183.7
Total borrowings	**459.9**	**485.2**	**460.4**	**447.0**	**512.8**	**543.6**

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:

	Unaudited 6 months to 30 June 2018 £m	Unaudited 6 months to 30 June 2017 £m	Year to 31 December 2017 £m
Current	–	–	–
Non-current	1.4	10.2	0.8
Fair value of interest rate swaps	**1.4**	**10.2**	**0.8**

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 Dividends

During the 6 months to 30 June 2018, the Company declared and paid a final dividend of £38.2 million 15.4p per share (30 June 2017: £23.2 million, 12.0p per share).

Under the terms of the Company's scrip dividend scheme, shareholders were able to elect to receive ordinary shares in place of the 2017 final dividend of 15.4p per ordinary share. This resulted in the issue of 272,709 new fully paid shares.

After the period end, the Directors proposed an interim dividend of 9.5p per share (30 June 2017: 7.3p per share). No provision has been made in relation to this dividend.

INDEPENDENT REVIEW REPORT TO THE UNITE GROUP PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in shareholders' equity, the consolidated statement of cash flows and related notes 1 to 4.3. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Statutory Auditor
London, United Kingdom

24 July 2018

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