PRESS RELEASE

26 July 2017

THE UNITE GROUP PLC

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

FOCUS ON QUALITY AND PARTNERSHIPS DRIVING INCOME GROWTH

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 2017.

HIGHLIGHTS

Strong financial performance: increased earnings, dividend and NAV

- EPRA earnings up 12% to £40.4 million or 18.0p (30 June 2016: £36.1 million, 16.3p)
- Profit before tax £83.9 million or 36.7p basic EPS (30 June 2016: £122.8 million, 48.3p) due to lower level of revaluation surplus as a result of yield compression in 2016
- Interim dividend increased 22% to 7.3 pence per share (2016 interim: 6.0 pence). Policy remains to distribute 75% of full year recurring EPRA earnings by way of dividend each year
- EPRA NAV per share up 4% to 669 pence (31 December 2016: 646 pence)
- Reduced leverage to 30% LTV with net debt at £696 million (31 December 2016: 34% and £776 million)

Highest quality income, portfolio and University relationships

- 91% of rooms reserved at 25 July for 2017/18 (2016: 89%) at pricing that supports full-year rental growth of 3.0-3.5%, with 59% of rooms let under nominations agreements with an average unexpired term of six years
- Increased alignment to strongest Universities and enhancement of portfolio following disposals of £472 million (Unite share: £181 million), generating a profit on sale of £5 million on a see-through basis
- Acquisition of Aston University’s 3,100-bed student village for £227 million (Unite share: £113 million), enhanced by 2017/18 nominations agreement
- Continued enhancement of customer service through ‘Living with Unite’ app and initiatives to address major needs of students

Highly visible earnings growth trajectory

- Focus on quality of brand, operating system, portfolio and University relationships underpin future performance
- Student numbers remain strong, with applicants expected to outnumber University acceptances by around 150,000 in 2017/18

- Focus on operational efficiencies delivering £5 million of full-year savings (Unite share: £3.8 million) to deliver cost efficiency targets in 2018 and fund ongoing customer service enhancements
- Highly accretive development pipeline of over 8,500 beds combined with stable rental growth could add 14 to 16 pence to earnings over the next few years

Richard Smith, Chief Executive of Unite Students, commented:

"It has been a highly active and successful first half of the year in which we have aligned the portfolio to the strongest Universities and enhanced the service we provide, based on our unique insight into the needs of today's students.

"Our high levels of service combined with our quality properties in attractive locations have resulted in continued demand from both first, second and third year students as well as from our University partners, with reservations currently at record levels of 91% for the 2017/18 academic year.

"Safety and fire safety is a key priority for us. Our buildings are specifically designed for students and have a wide range of fire detection and prevention measures in place, supported by our fire management processes and fully trained staff. Following the tragedy at Grenfell Tower, we have completed a full review of fire safety of our estate, together with advice and support from the relevant local fire authorities, our buildings remain safe for occupation.

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

PRESENTATION AND DATE OF CAPITAL MARKETS DAY EVENT

There will be a presentation for analysts this morning at 09:30. The live webcast will be available at: www.unite-group.co.uk. Please contact Bell Pottinger for further details. Dial-in number for the presentation: + 44 20 3059 8125. Participants will need to quote "Unite Students".

The company announces that it will be hosting a Capital Markets Day in Birmingham on 26 September 2017. Further details of the event will be circulated in the coming days.

For further information, please contact:

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OVERVIEW

We have continued to make excellent progress with our focus on quality: to build the leading brand in our sector based on high-quality service, University partnerships and an unparalleled property portfolio and to deliver 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.

With 49,000 beds across 24 cities, we have the only scalable operating platform in the sector and it is driving tangible efficiencies and enhanced levels of service. This is demonstrated in our financial results: EPRA earnings for the six months were up 12% to £40.4 million (30 June 2016: £36.1 million), an increase of 10% on a per share basis to 18.0 pence (30 June 2016: 16.3 pence). EPRA NAV per share increased 4% over the six months to 669 pence (31 December 2016: 646 pence). We also ensure investment discipline to maintain a strong capital structure, with leverage at 30% LTV at the end of the period (31 December 2016: 34%).

As a result of the ongoing growth in earnings and our transition to become a REIT, we are increasing our interim dividend by 22%, declaring an interim dividend of 7.3p (2016: 6.0p). Our dividend policy remains to pay out 75% of recurring EPRA earnings each year.

Our key financial performance indicators are set out below:

Financial highlights	Six months to 30 Jun 2017	Six months to 30 Jun 2016	Year to 31 Dec 2016
EPRA earnings	£40.4m	£36.1m	£62.7m
EPRA EPS	18.0p	16.3p	28.4p
Adjusted EPRA EPS	18.0p	16.3p	27.7p*
Dividend per share	7.3p	6.0p	18.0p
Profit before tax	£83.9m	£122.8m	£201.4m
Basic EPS	36.7p	48.3p	101.3p
EPRA NAV per share	669p	620p	646p
See-through LTV ratio	30%	37%	34%

* Adjusted EPRA EPS excludes the yield related element of the USAF performance fee

The business continues to benefit from our focus of aligning our portfolio with the strongest University locations. Reservations are at record levels with growing numbers of returning students, supported by our relationships with Universities and continued investment in our service platform. Reservations for the 2017/18 academic year are currently 91% (2016: 89%), a record for this time of year. 59% of this income is highly visible, underpinned by University nominations agreements, which have a remaining average life of six years with annual inflation-linked rental uplifts. Of the remaining income, over two-thirds is from returning direct-let students, demonstrating the value and broad appeal of our customer proposition. Our focus on quality locations has resulted in over 85% of income now coming from the UK's best Universities, measured both by traditional rankings and the recently published Teaching Excellence Framework (TEF). We aim to increase this to 90% over the next few years.

The strength of our brand and service was a major factor in our successful acquisition of Aston University's entire accommodation provision in February. Our partnership approach has also resulted in a short-term nominations agreement for 2,000 of the 3,100-bed portfolio for the 2017/18 academic year, delivering returns ahead of original expectations. We are undertaking the planned capital works to improve the standard of the accommodation and expect to put a new long-term University partnership agreement in place in time for the 2018/19 academic year.

We have actively managed our property portfolio using our deep local market knowledge and customer insight to enhance the quality of our properties, focusing on the strongest Higher Education institutions where there is significant demand for PBSA, and where we have strong relationships with Universities. In addition to the Aston Student Village acquisition, we have further extended our earnings accretive, high-quality development pipeline, adding a development scheme in Manchester planned for delivery in 2020. Through USAF, we acquired three forward funded sites, two in Durham and one in Birmingham, that will be delivered in 2018 and 2019.

Taking advantage of positive investor sentiment, we disposed £472 million (Unite share: £181 million) of investment assets at a 3% premium to book value on a see-through basis, reducing our presence in cities and locations with less demand or lower-ranked Universities. We have also disposed of higher-priced studio accommodation schemes, in line with our strategy of focusing on more affordable, shared flats that mainstream students want to live in, reflecting their clear preference to live within a community where they can socialise, study together and make friends.

We have maintained our approach to capital discipline and see-through LTV has reduced to 30% (31 December 2016: 34%), primarily as a result of the conversion of the £90 million of convertible bonds into equity that was completed in June 2017. We expect LTV to return to our targeted level around the mid-30% level as we deliver the remainder of our development pipeline. The business completed its planned conversion to become a REIT on 1 January 2017, supporting our focus on earnings, capital discipline and commitment to distribute earnings to shareholders.

Student numbers remain robust. We expect student intake in the 2017/18 academic year to be around 530,000, in line with the record levels last year, with the proportion of applicants accepted onto courses increasing to around 78%, demonstrating the flexibility that Universities have to manage student recruitment proactively. Whilst overall applications to UK Universities for 2017/18 are down by 4%, this was driven mainly by: fewer applications from EU students; students on medical related courses (such as nursing and physiotherapy following a shift from grant to loan funding); and older students who are choosing to remain in employment.

These reductions have been largely offset by growing numbers of applications from UK 18-year olds and non-EU international students, as Higher Education participation rates continue to grow and the UK remains the second most popular destination for international students, after the USA, thanks to the globally recognised standard of UK Universities. 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 most positive student number growth expected within cities in which we operate.

The Teaching Excellence Framework (TEF) was introduced by the Government in June 2017 to provide students with greater visibility of the quality of teaching and student outcomes at Universities. Universities are awarded either a gold, silver or bronze status depending on their relative performance. Whilst the full impact of the TEF will take some time to become clear, our insight supports the view that it will become an increasingly relevant factor for applicants making their choice of University. Our proactive portfolio management activity means that our portfolio aligns well against these rankings and we will use the rankings alongside other measures of University quality to ensure we maintain alignment to quality Universities.

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 conservatively manage our balance sheet by ensuring that asset and financing strategies are aligned and leverage is controlled.

We remain focused on creating a high-quality portfolio aligned to the strongest Universities. The development pipeline and our leading operational platform continues to provide visibility over the future growth in earnings, adding to our long-term income stability and rental growth. The Group remains well placed to continue growing sustainable earnings in the years ahead.

FIRE SAFETY

The recent fire at Grenfell Tower has raised widespread concern about the fire safety of high-rise buildings across the UK. Whilst it is clear that multiple factors contributed to the tragedy at Grenfell, one key focus has been the cladding materials on high-rise buildings. In the wake of the fire, the Department of Communities and Local Government (DCLG) quickly instituted a programme to test Aluminium Composite Material (ACM) cladding panels from buildings.

We submitted testing samples from our estate of 132 properties to the Building Research Establishment (BRE) who are carrying out the testing on behalf of the DCLG. DCLG informed us last week that samples from six buildings did not meet the standards as set out in the initial test. ACM cladding represents around 25% of the total cladding on four of the buildings and around 70% on the remaining two.

Since receipt of the test results, experts from local fire and rescue authorities have undertaken a detailed inspection of the overall design of all six properties and the safety measures and procedures in place. In each case, they have concluded that, subject to some minor adjustments (that have all now been implemented), the buildings remain safe for occupation. The buildings are: Sky Plaza and Concept Place in

Leeds; Greetham Street in Portsmouth; Olympic Way and St Pancras Way in London; and Waverley House in Bristol.

DCLG has now announced a second phase of testing to establish how in different combinations, several commonly used types of ACM panel and insulation material behave in real fire situations. This follows all test samples, from over 250 buildings (not Unite owned) across the UK, not passing the initial test. The purpose of this second phase is to understand the 'real world' performance of different cladding systems. The outcome of the second phase testing will be made public in the next one to two weeks.

As stage two of the testing programme progresses, we are working closely with BRE and DCLG and are awaiting the results of the second phase of testing to fully understand what long-term actions might be required across our buildings. In the event that all ACM cladding needs to be replaced and using current available information, the number of beds we have available for part of the 2017/18 academic year could reduce by a maximum of 600 as we undertake remedial work, with an earnings impact of £0.5 million - £1.5 million and an anticipated cost of remedial work in the region of £1 million - £2 million. All estimates represent the cost to Unite Group and would be incurred across the 2017 and 2018 financial years. No provision has been recognised in the financial statements at the half year due to the uncertainty.

The remedial measures we have already taken and our commitment to take further action where necessary following the second phase of BRE's testing demonstrate our determination to put the safety of our residents first. Our buildings are modern, well maintained and built with advanced fire management specifications and have rigorous fire safety management and maintenance regimes. We work in partnership with the Avon Fire Authority, as our Primary Fire Authority, in the development of our fire systems and management strategies and have been externally audited by the British Safety Council in the past year.

An addendum to the interim statement sets out the fire safety systems that are in place across our portfolio.

PERFORMANCE REVIEW

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.

In the first six months of 2017, we delivered a 12% increase in EPRA earnings to £40.4 million or 18.0 pence per share (30 June 2016: £36.1 million, 16.3 pence per share). This increase was driven by high occupancy, rental growth, operational efficiencies driven by PRISM, active portfolio management and the latest additions to the portfolio.

Summary income statement	Six months to 30 Jun 2017 £m	Six months to 30 Jun 2016 £m	Year to 31 Dec 2016 £m
Unite's share of rental income	92.4	86.9	159.1
Unite's share of property operating expenses	(21.7)	(20.6)	(42.8)
Net operating income (NOI)	**70.7**	**66.3**	**116.3**
NOI margin	76.5%	*76.3%*	*73.1%*
Management fees	7.5	7.0	14.0
Operating expenses	(12.2)	(12.2)	(23.1)
Finance costs	(23.6)	(22.2)	(45.9)
USAF acquisition and performance fee	0.8	0.5	6.9
Development and other costs	(2.8)	(3.3)	(5.5)
EPRA earnings	**40.4**	**36.1**	**62.7**
Yield related element of performance fee	-	-	(1.4)
Adjusted EPRA earnings	40.4	36.1	61.3
Adjusted EPRA EPS	**18.0p**	**16.3p**	**27.7p**

Rental income has increased by 6%, with organic rental growth driving around half of the uplift and portfolio activity the rest. The scalability of the operating platform has resulted in this uplift in rental income delivering a 12% increase in EPRA earnings.

Market leading service platform

PRISM, our proprietary technology platform, is now fully operational and delivering enhanced customer service benefits and is supporting the ongoing improvement in the Group's NOI margin to 76.5% for the six months (30 June 2016: 76.3%). The seasonal nature of the academic year means that we expect the margin for the full year to be around 74% and we remain on track to deliver further improvements in NOI margins from these levels to meet our target of 75% in 2018.

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 remained flat year on year and this is driving further improvements in our overhead efficiency measure to 40 basis points of gross asset value on an annualised basis and we remain on track to deliver our target of 25-30 basis points in 2018 based on current yields.

We have completed restructuring activity in the first half that will deliver annual savings of £5 million (Unite share: £3.8 million) across operating costs and overheads and have incurred one-off restructuring costs of £0.8 million (Unite share: £0.7 million) in the first half of the year. These savings have been made possible by the efficiencies and improvements created from our investment in PRISM, and will ensure that we hit our 2018 efficiency targets.

Finance costs have increased to £23.6 million (30 June 2016: £22.2 million), driven by a higher level of average investment debt during the six-month period. Whilst net debt at the end of June is £696 million, £80 million lower than in December, this reduction is largely due to the conversion of the £90 million convertible bond at the end of June 2017 with minimal impact on finance costs or cost of debt in the first half of the year. The cost of debt remained stable at 4.2% (31 December 2016: 4.2%).

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, quality Universities. We will be operating 49,000 beds for the 2017/18 academic year and our lettings performance has been strong throughout the sales cycle, with reservations levels at 25 July at 91% for 2017/18 compared with 89% at the same time last year.

The lettings position is underpinned by a higher level of nominations agreements with 59% of beds secured by Universities (2016: 57%), 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 secured income and visible rental growth by increasing the quality of the income and rental growth under nominations agreements with strong University partners over the next few years. This performance is supported by an improvement in our independently verified University Trust Score that is now at its highest ever level.

The reservations performance has also been supported by a high level of rebookings from existing customers with 26% of direct-let sales being made to students rebooking to live in Unite Students accommodation. This growth means that over two-thirds of our direct-let rooms are now let to students in their 2nd and 3rd years choosing to live in purpose-built accommodation rather than private rented sector housing, reflecting a growing trend in this direction.

Our customer base for the 2016/17 academic year is made up of 66% UK and 34% international students (EU students make up 6% of our direct-let customers). The Government has confirmed that all existing EU students and those starting courses in 2017/18 will have funding provided for the duration of their courses. Whilst there has been a slight shift in the make-up of applications, we expect this split to remain broadly consistent in 2017/18.

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 between 3.0-3.5%, in line 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.

Service enhancements

As our operating system continues to drive operational efficiencies, we remain committed to reinvesting a significant proportion of savings in enhanced customer services that support our purpose in creating a Home for Success. Based on insights generated from regular student feedback, this year we are introducing a number of valuable new initiatives such as improvements to our digital engagement with students through our 'Living with Unite' app, increasing Wi-Fi speeds to 70Mbps in all of our buildings and adding an additional 100 student ambassadors to provide peer-to-peer support and employment opportunities for students.

In addition, we have introduced new practices and initiatives to address major priorities for applicants and students, beyond accommodation. We have created a framework that is being adopted by University partners to help students settle in at University and support their resilience. By helping students through what can be a challenging transition, this will help Universities with student retention. We have also recently formed a partnership with the National Centre for Universities and Business and Jisc (a membership organisation providing digital solutions for education and research) to create a new app-based digital platform to help link students with businesses and charities to find valuable work experience and intern opportunities whilst at University.

Ongoing service enhancements are important to be able to deliver value for money and to maintain an ongoing differentiation in service levels to students and Universities. Our independent customer satisfaction scores remain consistently high and in the top third of benchmark European service companies. The enhancements are being funded by savings generated by PRISM and are consistent with our efficiency targets in 2018.

Property portfolio growth

EPRA NAV per share increased by 4% to 669 pence at 30 June 2017 (31 December 2016: 646 pence). In total, EPRA net assets were £1,616 million at 30 June 2017, up from £1,557 million six months earlier. Net assets on an IFRS basis were £1,598 million at 30 June 2017 (31 December 2016: £1,452 million).

The main drivers of the £59 million (23 pence per share) movement in EPRA NAV were:

- The growth in the value of the investment portfolio as a result of rental growth (+£30 million, +12 pence)
- Growth in the value of the development portfolio (+£11 million, +4 pence) as a result of planning consents and progress on site
- The positive impact of retained profits after dividends paid (+£18 million, +7 pence)

The valuation of our property portfolio at 30 June 2017 on a see-through basis (i.e. including our share of gross assets held in USAF and LSAV) was £2,343 million (31 December 2016: £2,277 million). The £66 million increase in portfolio value reflects the valuation movements outlined above together with capital expenditure on developments of £69 million, acquisitions of £118 million and disposals of £181 million.

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

Summary balance sheet

	30 June 2017			30 June 2016			31 December 2016		
	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	1,051	1,015	2,066	1,062	869	1,931	1,062	1,023	2,085
Properties under development	263	14	277	222	110	332	185	7	192
Total property	1,314	1,029	2,343	1,284	979	2,263	1,247	1,030	2,277
Adjusted net debt	(425)	(271)	(696)	(514)	(313)	(827)	(432)	(344)	(776)
Other assets / (liabilities)	(17)	(14)	(31)	(16)	(13)	(29)	(15)	(14)	(29)
Convertible bond	-	-	-	84	-	84	85	-	85
EPRA net assets	872	744	1,616	**838**	**653**	**1,491**	**885**	**672**	**1,557**

The proportion of the property portfolio that is income generating is 88%, slightly down from 92% at 31 December 2016, 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, 45% of the investment portfolio (on a see-through basis) is located in London with the remainder in strong regional locations.

Student accommodation yields

The level of transactions in the student accommodation sector has remained high, with £1.9 billion of assets traded in the first half of the year, and this high volume of transactions is expected to continue over the remainder of the year. Competition for those portfolios has remained strong from a variety of institutional, long-term investors who have been prepared to pay a modest premium to build scale and acquire portfolios of accommodation. No portfolio premium is reflected in the Unite Group valuations.

The average net initial yield across the portfolio is 5.3% compared to 5.4% at December 2016. The change in yield is the result of changes to the mix of the portfolio following the acquisition of the Aston Student Village and portfolio disposals made in 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, although the average yield is unchanged on a like-for-like basis.

An indicative spread of direct let yields at 30 June 2017 by location is outlined below:

	30 Jun 2017	30 Jun 2016	31 Dec 2016
London	4.25-5.0%	4.5-5.25%	4.5-5.0%
Prime provincial	5.25-5.75%	5.25-5.8%	5.25-5.75%
Provincial	6.0-6.75%	6.0-6.5%	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.

Development activity

Development activity continues to be a significant driver of growth in future earnings and NAV. Returns on new projects in strong regional locations remain attractive and within our target range of 8.0-8.5% yield on cost. Returns on potential new projects in London remain below our hurdle rate of 7.0% due principally to higher alternative use values for prospective sites and planning levies. The London development market remains competitive for all student accommodation developers and the pipeline of new schemes is now limited. We will continue to monitor the London market and deploy capital if we can generate returns in line with our hurdle rates.

The 2017 development pipeline is nearing completion on time and to budget. We are opening 2,150 beds across five properties, with 100% of the rooms let to students attending high and mid-ranked Universities and 62% of the beds secured under nominations agreement, supporting our ongoing focus on quality of income. These openings will add around 3 pence per share to 2018 earnings.

In the first half of 2017, we have secured a site in Manchester on a subject-to-planning basis – our first site for delivery in 2020, in line with our target returns. We have also secured three forward funded developments through USAF, two in Durham for delivery in 2018 and one in Birmingham for delivery in 2019. We will continue to deploy capital into development and forward fund opportunities that meet our target returns and enhance the quality of our portfolio.

We have secured planning permission on St Vincent’s, Sheffield during the first half of 2017 and have commenced construction, under fixed price contracts, on all of the 2018 deliveries. We will lock into construction contracts on the 2019 pipeline over the next six to nine months.

Secured development pipeline

		Secured beds	Total completed value	Total development costs	Capex in period	Capex remaining	Forecast NAV remaining	Forecast yield on cost
		No.	£m	£m	£m	£m	£m	%
Wholly owned								
2017 completions								
St Leonard's	Edinburgh	581	65	41	10	3	9	9.5%
Millennium Way	Coventry	391	34	24	10	2	4	8.8%
Tara House	Liverpool	776	63	46	10	3	5	9.3%
2018 completions								
Newgate Street	Newcastle	575	45	37	4	25	7	8.5%
Brunel House	Bristol	232	28	21	0	10	5	8.5%
Chaucer House	Portsmouth	484	41	33	5	22	6	8.0%
St Vincent's	Sheffield	600	47	37	8	29	10	8.2%
International House	Birmingham	586	48	38	10	26	10	8.0%
2019 completions								
Skelhorne Street	Liverpool	1,085	92	74	5	55	15	8.0%
Old BRI[1]	Bristol	751	96	79	1	61	19	8.4%
Constitution Street	Aberdeen	600	50	41	-	34	2	8.4%
2020 completions								
New Wakefield Street[1]	Manchester	552	67	52	1	51	15	8.2%
Total wholly owned		**7,213**	**674**	**521**	**64**	**322**	**106**	**8.5%**
USAF								
2017 completions								
Lutton Court	Edinburgh	237	30	29	6	3	2	5.6%
Beech House	Oxford	167	25	18	6	2	5	5.4%
2018 completions								
Old Hospital	Durham	363	37	32	12	20	5	6.1%
Houghall College	Durham	222	20	16	3	13	4	6.1%
2019 completions								
Battery Park	Birmingham	418	43	37	0	37	6	6.6%
Total USAF		**1,407**	**153**	**131**	**27**	**75**	**21**	**6.0%**
Unite share of USAF		**-**	**36**	**31**	**6**	**18**	**5**	**6.0%**
Total pipeline (Unite share)		**8,620**	**710**	**552**	**70**	**339**	**111**	**8.3%**

[1] subject to obtaining planning consent

The secured pipeline remains a significant source of value creation and the following table summarises the potential impact on future NAV and earnings per share.

	Illustrative returns	
	Future NAVps	Future EPS
Secured regional projects (wholly owned)	44	14-16
Secured USAF projects (our share)	2	-
Total secured pipeline	46	14-16

University partnerships

In addition to growing the value of income underpinned by University backed nominations agreement, we have made further progress with our strategy of delivering ongoing growth through partnerships with Universities. In February, we acquired Aston University's entire accommodation provision, Aston Student Village, totalling 3,100 beds, for £227 million (Unite share: £113 million) in LSAV, our 50:50 joint venture with GIC, Singapore's sovereign wealth fund. The acquisition, which was supported by Aston University, demonstrates the depth of our relationship with the University and the strength of Unite Students brand amongst Universities. Since completion, we have entered into a one-year agreement for 2,000 of the beds for the 2017/18 academic year. The remainder of the beds have been sold on a direct-let basis and the portfolio is now fully reserved for the forthcoming academic year. The refurbishment works to common areas and shared kitchens are well underway and, along with the lettings performance, are supporting financial performance ahead of plan. We are continuing to deepen our partnership with Aston University and are working towards a longer-term commitment in 2018/19.

Building on our reputation with Universities, we are also in discussion with several other Universities to develop opportunities to grow our University partnership business. These opportunities to work in partnership with high-quality Universities in the UK are expected to drive long-term secure income.

Asset disposals

During the first six months of 2017, £472 million of assets across 4,800 beds (Unite share: £181 million) have been sold in third-party transactions, generating a £5 million profit on a see-through basis. The assets were selected for disposal based on their relative performance and forecast future rental growth. The disposals form part of our strategy to align our portfolio to high and mid-ranked Universities and to focus on more affordable cluster flat accommodation. Disposal proceeds have been used to fund our share of the ASV acquisition and our ongoing investment into the 2019 and 2020 development pipeline.

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. The following table shows the further elements that are included within the International Financial Reporting Standards profit after tax measure.

	30 Jun 2017 £m	30 Jun 2016 £m	31 Dec 2016 £m
EPRA earnings	40.4	36.1	62.7
Valuation gains and profit / loss on disposal	42.2	84.2	136.3
Changes in valuation of interest rate swaps and debt break costs	0.3	-	(1.0)
Minority interest & tax	1.0	2.5	3.4
Profit before tax	**83.9**	**122.8**	**201.4**
EPRA earnings per share	18.0	16.3p	28.4p
Basic earnings per share	36.7p	48.3p	101.3p

EPRA earnings of £40.4 million for the six months to 30 June 2017 (30 June 2016: £36.1 million) is stated after deducting current tax charges, share option costs and abortive / pre-contract development spend. A full reconciliation of EPRA earnings to profit attributable to the owners of the parent company is given in Section 2 of the financial statements. The reduction in profit before tax in the first six months of 2017 is the result of lower valuation gains due to property valuation yield compression experienced in 2016.

Cash flow and net debt

The Operations business has generated £38 million of net cash in the six months to 30 June 2017 (30 June 2016: £32 million) and see-through net debt decreased to £696 million (31 December 2016: £776 million). The key components of the movement in net debt were the operational cash flow and net proceeds from portfolio activity of £30 million, the conversion of £90 million of convertible bonds into equity offset by development capital expenditure of £65 million and dividends paid of £23 million.

Dividend

We are declaring an interim dividend payment of 7.3 pence per share (30 June 2016: 6.0 pence), an increase of 22% over 2016. Of the 7.3 pence dividend, 6.0 pence will comprise a Property Income Distribution (PID). Our dividend policy remains to pay out 75% full year recurring EPRA earnings each year.

The dividend will be paid on 3 November 2017 to shareholders on the register at close of business on 6 October 2017.

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 £17.0

million, which are not exempt from tax, exceeds the deferred tax asset relating to tax adjusted losses carried forward of £11.9 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.

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 (see-through basis)	30 Jun 2017	30 Jun 2016	31 Dec 2016
Net debt	£696m	£827m	£776m
LTV	30%	35%*	34%
Average debt maturity	5.2 years	5.5 years	4.9 years
Average cost of debt	4.2%	4.4%	4.2%
Proportion of investment debt at fixed rate	93%	84%	100%

The Group's see-through LTV reduced to 30% (31 December 2016: 34%). The reduction in net debt of £80 million has been driven primarily by portfolio activity, the conversion of the £90 million of convertible loan notes into equity and 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 4.2% (31 December 2016: 4.2%) and the Group has 93% of investment debt subject to a fixed interest rate (31 December 2016: 100%) for an average term of 5.2 years (31 December 2016: 4.9 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.

Convertible bond

The Group's £90 million convertible bond fully converted into equity in June. The conversion has resulted in a reduction in net debt of £90 million and the issue of 18,593,589 ordinary shares in Unite Group plc. The reduction in net debt has reduced LTV by 4% points. The additional shares were reflected in the calculation of NAV per share in December 2016.

Adjusted EPRA EPS has been diluted by 0.2p in the first half of 2017 and this is expected to be around 0.5p for the whole year.

Funds and joint ventures

The table below summarises the key financials at 30 June 2017 for each vehicle:

	Property Assets £m	Net debt £m	Other assets £m	Net assets £m	Unite share of NAV £m	Maturity	Unite share
USAF	2,076	(499)	(18)	1,559	366	Infinite	23%
LSAV	1,084	(307)	(21)	756	378	2022	50%

USAF and LSAV have performed well in the six months to 30 June 2017 in line with the broader performance of the business. The secondary market for USAF units continues to operate effectively with £35 million of units trading so far this year at a small premium to NAV. There have been no redemption requests from investors during 2017.

USAF has approximately £90 million of acquisition capacity following disposals and the acquisition of three forward funded assets during the first half of the year, comprising 1,000 beds in Birmingham and Durham that will be opened in 2018 and 2019.

LSAV funded the acquisition of Aston Student Village from new equity and has £125 million remaining available for deployment into London development opportunities.

Fees

During the six months to June 2017, the Group recognised net fees of £8.3 million from its fund and asset management activities (30 June 2016: £8.1 million) as follows:

	30 Jun 2017 £m	30 Jun 2016 £m	31 Dec 2016 £m
USAF			
Asset management fee	5.2	5.0	10.0
Acquisition fee	0.3	0.4	0.4
Net performance fee	-	-	6.5
LSAV			
Asset and property management fee	2.3	2.0	4.0
Acquisition fee	0.5	-	-
Development management fee	-	0.7	1.0
Total fees	**8.3**	**8.1**	**21.9**

The overall level of recurring asset management fees has increased to £7.5 million (30 June 2016: £7.0 million) as a result of the growth in portfolio size and value. No USAF performance fee has been recognised in the first half of the year (30 June 2016: £nil) and no fee is expected over the remainder of 2017 as a result of the strong growth in net asset value of the fund in 2015 and 2016, making it more challenging to reach the hurdle rate required to generate a fee.

Outlook

The outlook for the business remains positive. The fundamentals of the sector provide a supportive backdrop, as UK Universities continue to demonstrate their ability to adapt to a changing landscape and retain their globally recognised status. The student intake in 2017/18 is expected to be in line with the record level seen in 2016/17, driving another year of overall student number growth of around 20,000 students.

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 development, forward funds, acquisitions and further 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	Joe Lister
Chief Executive Officer	Chief Financial Officer

26 July 2017

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. 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**

Consolidated income statement

For the 6 months to 30 June 2017

	Note	Unaudited 6 months to 30 June 2017 Total £m	Unaudited 6 months to 30 June 2016 Total £m	Year to 31 December 2016 Total £m
Rental income	2.4	53.5	54.5	97.1
Property sales and other income	2.4	9.2	8.8	23.6
Total revenue		**62.7**	**63.3**	**120.7**
Cost of sales		(21.0)	(22.6)	(44.9)
Operating expenses		(12.9)	(12.8)	(25.0)
Results from operating activities		28.8	27.9	50.8
Gain / (Loss) on disposal of property		0.5	(0.3)	0.4
Net valuation gains on property	3.1a	28.3	48.7	77.2
Profit before net financing costs		**57.6**	**76.3**	**128.4**
Loan interest and similar charges		(9.3)	(9.9)	(20.9)
Swap cancellation costs		–	–	(1.0)
Finance costs		(9.3)	(9.9)	(21.9)
Finance income		–	–	0.1
Net financing costs		**(9.3)**	**(9.9)**	**(21.8)**
Share of joint venture profit	3.3a	35.6	56.4	94.8
Profit before tax		**83.9**	**122.8**	**201.4**
Current tax		(0.6)	(1.5)	(2.3)
Deferred tax		–	(13.0)	27.3
Profit for the period		**83.3**	**108.3**	**226.4**
Profit for the period attributable to				
Owners of the parent company	2.2c	82.4	106.7	224.0
Minority interest		0.9	1.6	2.4
		83.3	**108.3**	**226.4**
Earnings per share				
Basic	2.2c	36.7	48.3p	101.3p
Diluted	2.2c	36.5	45.2p	94.7p

Consolidated statement of comprehensive income

For the 6 months to 30 June 2017

	Unaudited 6 months to 30 June 2017 £m	Unaudited 6 months to 30 June 2016 £m	Year to 31 December 2016 £m
Profit for the period	**83.3**	**108.3**	**226.4**
Movements in effective hedges	1.4	(14.5)	(9.2)
- Deferred tax in relation to movements in effective hedges	-	2.6	(1.1)
Share of joint venture movements in effective hedges	0.9	(2.9)	(1.4)
- Deferred tax in relation to share of joint venture movements in effective hedges	-	0.5	(0.5)
Other comprehensive income / (expense) for the period	2.3	(14.3)	(12.2)
Total comprehensive income for the period	**85.6**	**94.0**	**214.2**
Attributable to			
Owners of the parent company	84.5	92.4	211.8
Minority interest	1.1	1.6	2.4
	85.6	**94.0**	**214.2**

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

Consolidated balance sheet

At 30 June 2017

	Note	Unaudited 30 June 2017 £m	Unaudited 30 June 2016 £m	31 December 2016 £m
Assets				
Investment property	3.1a	1,051.1	1,062.3	1,061.6
Investment property under development	3.1a	263.4	221.6	184.6
Investment in joint ventures	3.3a	765.2	672.2	692.9
Other non-current assets		30.8	28.8	29.8
Deferred tax asset		-	0.6	-
Total non-current assets		**2,110.5**	**1,985.5**	**1,968.9**
Inventories	3.2	3.7	6.6	2.9
Trade and other receivables		54.8	47.4	77.9
Cash and cash equivalents		35.3	31.0	42.7
Total current assets		**93.8**	**85.0**	**123.5**
Total assets		**2,204.3**	**2,070.5**	**2,092.4**
Liabilities				
Borrowings	4.1	(1.3)	(1.4)	(1.3)
Trade and other payables		(104.3)	(97.3)	(123.7)
Current tax creditor		(2.2)	(2.2)	(2.4)
Total current liabilities		**(107.8)**	**(100.9)**	**(127.4)**
Borrowings	4.1	(459.1)	(543.9)	(473.5)
Interest rate swaps	4.2	(10.2)	(16.8)	(11.6)
Deferred tax liability		(4.5)	(41.1)	(4.4)
Total non-current liabilities		**(473.8)**	**(601.8)**	**(489.5)**
Total liabilities		**(581.6)**	**(702.7)**	**(616.9)**
Net assets		**1,622.7**	**1,367.8**	**1,475.5**
Equity				
Issued share capital		60.2	55.5	55.5
Share premium		579.2	493.5	493.6
Merger reserve		40.2	40.2	40.2
Retained earnings		931.6	762.7	867.9
Hedging reserve		(12.7)	(17.1)	(15.0)
Equity portion of convertible instrument		-	9.4	9.4
Equity attributable to the owners of the parent company		**1,598.5**	**1,344.2**	**1,451.6**
Minority interest		24.2	23.6	23.9
Total equity		**1,622.7**	**1,367.8**	**1,475.5**

Consolidated statement of changes in shareholders' equity

For the 6 months to 30 June 2017

	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 income 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
Deferred tax on share based payments	–	–	–	–	–	–	–	–	–
Fair value of share based payments	–	–	–	0.6	–	–	0.6	–	0.6
Own shares acquired	–	–	–	(1.9)	–	–	(1.9)	–	(1.9)
Redemption of convertible bond	–	2.9	–	5.8	–	(9.4)	(0.7)	–	(0.7)
Dividends paid 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 2016	**55.5**	**493.3**	**40.2**	**679.5**	**(2.8)**	**9.4**	**1,275.1**	**22.6**	**1,297.7**
(Unaudited)									
Profit for the period	–	–	–	106.7	–	–	106.7	1.6	108.3
Other comprehensive expense for the period	–	–	–	–	(14.3)	–	(14.3)	–	(14.3)
Total comprehensive income for the period	–	–	–	106.7	(14.3)	–	92.4	1.6	94.0
Shares issued	–	0.2	–	–	–	–	0.2	–	0.2
Deferred tax on share based payments	–	–	–	–	–	–	–	–	–
Fair value of share based payments	–	–	–	(0.3)	–	–	(0.3)	–	(0.3)
Own shares acquired	–	–	–	(2.2)	–	–	(2.2)	–	(2.2)
Dividends paid to owners of the parent company	–	–	–	(21.0)	–	–	(21.0)	–	(21.0)
Dividends to minority interest	–	–	–	–	–	–	–	(0.6)	(0.6)
At 30 June 2016	**55.5**	**493.5**	**40.2**	**762.7**	**(17.1)**	**9.4**	**1,344.2**	**23.6**	**1,367.8**

	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 2016	**55.5**	**493.3**	**40.2**	**679.5**	**(2.8)**	**9.4**	**1,275.1**	**22.6**	**1,297.7**
Profit for the period	–	–	–	224.0	–	–	224.0	2.4	226.4
Other comprehensive expense for the period	–	–	–	–	(12.2)	–	(12.2)	–	(12.2)
Total comprehensive income for the period	–	–	–	224.0	(12.2)	–	211.8	2.4	214.2
Shares issued	–	0.3	–	–	–	–	0.3	–	0.3
Deferred tax on share based payments	–	–	–	(0.1)	–	–	(0.1)	–	(0.1)
Fair value of share based payments	–	–	–	1.2	–	–	1.2	–	1.2
Own shares acquired	–	–	–	(2.5)	–	–	(2.5)	–	(2.5)
Dividends paid to owners of the parent company	–	–	–	(34.2)	–	–	(34.2)	–	(34.2)
Dividends to minority interest	–	–	–	–	–	–	–	(1.1)	(1.1)
At 31 December 2016	**55.5**	**493.6**	**40.2**	**867.9**	**(15.0)**	**9.4**	**1,451.6**	**23.9**	**1,475.5**

Consolidated statement of cash flows

For the 6 months to 30 June 2017

	Unaudited 6 months to 30 June 2017 £m	Unaudited 6 months to 30 June 2016 £m	Year to 31 December 2016 £m
Cash flows from operating activities	**9.2**	**26.8**	**70.3**
Cash flows from taxation	**(0.7)**	**(1.6)**	**(2.2)**
Investing activities			
Proceeds from sale of investment property	29.3	(0.3)	126.1
Loans to joint ventures	–	–	–
Dividends received	17.5	15.1	29.2
Interest received	–	–	0.1
Investment in joint ventures	(48.6)	–	–
Acquisition of intangible assets	(3.2)	(4.5)	(8.2)
Acquisition of property	(42.8)	(63.5)	(131.0)
Acquisition of plant and equipment	(1.0)	(1.4)	(3.1)
Cash flows from investing activities	**(48.8)**	**(54.6)**	**13.1**
Financing activities			
Interest paid in respect of financing activities	(12.0)	(11.3)	(23.7)
Ineffective swap payments	–	–	–
Swap cancellation costs	–	–	(1.0)
Proceeds from the issue of share capital	0.3	0.2	0.3
Payments to acquire own shares	(1.9)	(2.2)	(2.5)
Proceeds from non-current borrowings	71.0	99.0	99.0
Repayment of borrowings	(0.7)	(30.7)	(102.3)
Dividends paid to the owners of the parent company	(23.2)	(21.0)	(34.2)
Dividends paid to minority interest	(0.6)	(0.6)	(1.1)
Cash flows from financing activities	**32.9**	**33.4**	**(65.5)**
Net increase/(decrease) in cash and cash equivalents	**(7.4)**	**4.0**	**15.7**
Cash and cash equivalents at start of period	42.7	27.0	27.0
Cash and cash equivalents at end of period	**35.3**	**31.0**	**42.7**

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.

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 2016.

The comparative figures for the financial year ended 31 December 2016 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 2016 (pages 26 to 29). 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. Reputational damage
iv. Property cycle risk
v. Development risks
vi. Availability of finance, change in interest rate and risks associated with fund management.

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 2019. The Group has sufficient levels of cash headroom to meet all of its commitments. The Group continues to maintain positive relationships with its lending banks and has historically been able to secure facilities before maturity dates. The Group is in full compliance with its borrowing covenants and is forecast to continue to do so.

The Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group 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 2017 £	Unaudited 30 June 2016 £	31 December 2016 £
Earnings basic	2.2c	82.4m	106.7m	224.0m
Earnings diluted	2.2c	83.9m	108.3m	227.7m
Basic earnings per share (pence)	2.2c	36.7p	48.3p	101.3p
Diluted earnings per share (pence)	2.2c	36.5p	45.2p	94.7p
Net assets basic	2.3c	1,598.5	1,344.2	1,451.6m
Basic NAV per share (pence)	2.3d	663p	605p	653p

EPRA performance measures

	Note	Unaudited 30 June 2017 £	Unaudited 30 June 2016 £	31 December 2016 £
EPRA earnings	2.2a	40.4m	36.1m	62.7m
EPRA earnings per share (pence)	2.2c	18.0p	16.3p	28.4p
Adjusted EPRA earnings	2.2a	40.4m	36.1m	61.3m
Adjusted EPRA earnings per share (pence)	2.2c	18.0p	16.3p	27.7p
EPRA NAV	2.3a	1,616.3m	1,491.5m	1,557.3m
EPRA NAV per share (pence)	2.3d	669p	620p	646p
EPRA NNNAV	2.3c	1,615.4m	1,418.7m	1,517.3m
EPRA NNNAV per share (pence)	2.3d	668p	589p	630p

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 2017 and 30 June 2016 and for the year ended 31 December 2016 are Operations and Property.

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

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

2.2 Earnings
IFRS profits include unrealised investment property gains and losses. The Group's performance is also presented on the basis recommended for real estate companies by the European Public Real Estate Association (EPRA). EPRA earnings excludes these unrealised gains and losses such that users of the financials are able to see the extent to which dividend payments (dividend 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 30 – 33 of the 2016 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 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)
	38.9	13.9	13.2	27.1	66.0
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.

Unaudited 30 June 2016

	UNITE	Share of joint ventures			Group on see through basis
	Total £m	USAF £m	LSAV £m	Total £m	Total £m
Rental income	54.5	20.0	12.4	32.4	86.9
Property operating expenses	(14.3)	(5.1)	(1.2)	(6.3)	(20.6)
Net operating income	**40.2**	**14.9**	**11.2**	**26.1**	**66.3**
Management fees	10.2	(1.3)	(1.9)	(3.2)	7.0
Operating expenses	(11.8)	(0.2)	(0.2)	(0.4)	(12.2)
	38.6	13.4	9.1	22.5	61.1
Operating lease rentals*	(7.0)	–	–	–	(7.0)
Net financing costs	(9.9)	(2.8)	(2.5)	(5.3)	(15.2)
Operations segment result	**21.7**	**10.6**	**6.6**	**17.2**	**38.9**
Property segment result	**(0.6)**	**–**	**–**	**–**	**(0.6)**
Unallocated to segments	**(2.2)**	**–**	**–**	**–**	**(2.2)**
EPRA earnings	**18.9**	**10.6**	**6.6**	**17.2**	**36.1**

Included in the above is rental income of £12.2 million and property operating expenses of £3.3 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 (£0.7 million), USAF acquisition fee of £0.5 million and current tax charges of (£1.8 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 2016

	UNITE	Share of joint ventures			Group on see through basis
	Total £m	USAF £m	LSAV £m	Total £m	Total £m
Rental income	97.1	36.9	25.1	62.0	159.1
Property operating expenses	(29.3)	(10.7)	(2.8)	(13.5)	(42.8)
Net operating income	**67.8**	**26.2**	**22.3**	**48.5**	**116.3**
Management fees	20.8	(2.8)	(4.0)	(6.8)	14.0
Operating expenses	(22.4)	(0.4)	(0.3)	(0.7)	(23.1)
Operating lease rentals*	(13.5)	-	-	-	(13.5)
Net financing costs	(20.8)	(5.7)	(5.9)	(11.6)	(32.4)
Operations segment result	**31.9**	**17.3**	**12.1**	**29.4**	**61.3**
Property segment result	**(1.0)**	**–**	**–**	**–**	**(1.0)**
Unallocated to segments	**2.4**	**–**	**–**	**–**	**2.4**
EPRA earnings	**33.3**	**17.3**	**12.1**	**29.4**	**62.7**
Yield related USAF performance fees	(1.4)	–	–	–	(1.4)
Adjusted EPRA earnings	**31.9**	**17.3**	**12.1**	**29.4**	**61.3**

Included in the above is rental income of £18.5 million and property operating expenses of £5.9 million relating to sale and leaseback properties. The unallocated to segments includes the fair value of share based payments of (£1.2 million), UNITE Foundation of (£1.0 million), fees received from USAF relating to acquisitions of £0.4 million, net USAF performance fee of £6.5 million, deferred tax of (£0.3 million) and current tax charges of (£2.0 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 2017 £m	Unaudited 6 months to 30 June 2016 £m	Year to 31 December 2016 £m
EPRA earnings	2.2a	**40.4**	**36.1**	**62.7**
Net valuation gains on investment property		28.3	48.7	77.2
Property disposals and write downs		0.5	(0.3)	0.3
Share of joint venture gains on investment property	3.3a	11.7	35.8	58.8
Share of joint venture property disposals and write downs		1.7	–	–
Swap cancellation costs		–	–	(1.0)
Share of joint venture swap cancellation costs		(0.3)	–	–
Deferred tax relating to properties and investments in joint ventures		0.3	(12.6)	27.6
Minority interest share of reconciling items*		(0.2)	(1.0)	(1.6)
Profit attributable to owners of the parent company		**82.4**	**106.7**	**224.0**

* 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 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 and Adjusted EPRA EPS (pre yield related USAF performance fee) are calculated using EPRA earnings.

The calculations of basic, diluted and EPRA EPS for the 6 months ended 30 June 2017 are as follows:

	Note	Unaudited 6 months to 30 June 2017 £m	Unaudited 6 months to 30 June 2016 £m	Year to 31 December 2016 £m
Earnings				
Basic		82.4	106.7	224.0
Diluted		83.9	108.3	227.7
EPRA	2.2a	40.4	36.1	62.7
Adjusted EPRA	2.2a	40.4	36.1	61.3
Weighted average number of shares (thousands)				
Basic		224,416	220,941	221,013
Dilutive potential ordinary shares (share options and convertible bond)		5,563	18,849	19,315
Diluted		229,979	239,790	240,328
Earnings per share (pence)				
Basic		36.7p	48.3p	101.3
Diluted		36.5p	45.2p	94.7
EPRA EPS		**18.0p**	**16.3p**	**28.4**
Adjusted EPRA EPS		**18.0p**	**16.3p**	**27.7**

2.3 Net Assets

Net Asset Value reported under IFRS includes deferred tax in relation to investments in joint ventures and the fair value of financial derivatives. The Group's NAV is also presented on the basis recommended for real estate companies by the EPRA. EPRA NAV excludes these elements 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 34 - 39 of the 2016 Annual Report.

a) EPRA net assets

	Unaudited 30 June 2017		
	Wholly owned £m	Share of JV's £m	Total £m
Investment properties	1,051.1	1,015.1	2,066.2
Investment properties under development	263.4	13.8	277.2
Total property portfolio	**1,314.5**	**1,028.9**	**2,343.4**
Debt on properties	(460.4)	(411.0)	(871.4)
Cash	35.3	140.4	175.7
Net debt	**(425.1)**	**(270.6)**	**(695.7)**
Other liabilities	(16.7)	(14.7)	(31.4)
EPRA net assets (pre convertible)	**872.7**	**743.6**	**1,616.3**
Convertible bond *	–	–	–
EPRA net assets	**872.7**	**743.6**	**1,616.3**
Loan to value	**32%**	**26%**	**30%**

* During the period Unite redeemed the full principal value of £89.9 of the convertible bond in exchange for 18,593,589 shares.

	Unaudited 30 June 2016		
	Wholly owned £m	Share of JV's £m	Total £m
Investment properties	1,062.3	869.1	1,931.4
Investment properties under development	221.6	109.6	331.2
Total property portfolio	**1,283.9**	**978.7**	**2,262.6**
Debt on properties	(545.3)	(341.2)	(886.5)
Cash	31.0	28.6	59.6
Net debt	**(514.3)**	**(312.6)**	**(826.9)**
Other liabilities	(15.7)	(12.7)	(28.4)
EPRA net assets (pre convertible)	**753.9**	**653.4**	**1,407.3**
Convertible bond *	**84.2**	–	**84.2**
EPRA net assets	**838.1**	**653.4**	**1,491.5**
Loan to value	**40%**	**32%**	**37%**

* Under the terms of the Convertible Bond, early conversion of the debt into equity could have been triggered if the share price trades over 1.3 times the conversion price for a period of time.

	31 December 2016		
	Wholly owned £m	Share of JV's £m	Total £m
Investment properties	1,061.6	1,023.2	2,084.8
Investment properties under development	184.6	7.2	191.8
Total property portfolio	**1,246.2**	**1,030.4**	**2,276.6**
Debt on properties	(474.8)	(366.8)	(841.6)
Cash	42.7	23.1	65.8
Net debt	**(432.1)**	**(343.7)**	**(775.8)**
Other liabilities	(14.6)	(14.3)	(28.9)
EPRA net assets (pre convertible)	**799.5**	**672.4**	**1,471.9**
Convertible bond*	**85.4**	**-**	**85.4**
EPRA net assets	**884.9**	**672.4**	**1,557.3**
Loan to value	**35%**	**33%**	**34%**

* Under the terms of the Convertible Bond, early conversion of the debt into equity could have been triggered if the share price trades over 1.3 times the conversion price for a period of time.

b) Movement in EPRA NAV during the period

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

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 acquisition fee	0.8	-	-	-	0.8
Swap losses & debt exit fees	-	-	(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.

Unaudited 30 June 2016

	UNITE	Share of joint ventures			Group on see through basis
	Total £m	USAF £m	LSAV £m	Total £m	Total £m
Operations					
Operations segment result	**21.7**	**10.6**	**6.6**	**17.2**	**38.9**
Property					
Rental growth	22.3	3.8	5.7	9.5	31.8
Yield movement	15.2	11.6	3.7	15.3	30.5
Disposals and acquisition costs	(0.3)	–	–	–	(0.3)
Investment property gains	37.2	15.4	9.4	24.8	62.0
Development property gains	11.2	(0.7)	10.8	10.1	21.3
Pre-contract and other development costs	(0.6)	–	–	–	(0.6)
Total property	**47.8**	**14.7**	**20.2**	**34.9**	**82.7**
Unallocated					
Shares issued	0.2	–	–	–	0.2
Investment in joint ventures	(11.2)	16.5	(5.3)	11.2	–
Dividends paid	1.1	–	–	–	1.1
Swap losses and debt exit costs	(21.0)	–	–	–	(21.0)
Other	(4.8)	–	–	–	(4.8)
Total unallocated	**(35.7)**	**16.5**	**(5.3)**	**11.2**	**(24.5)**
Total EPRA NAV movement in the period	**33.8**	**41.8**	**21.5**	**63.3**	**97.1**
Total EPRA NAV brought forward	804.3	305.3	284.8	590.1	1,394.4
Total EPRA NAV carried forward	**838.1**	**347.1**	**306.3**	**653.4**	**1,491.5**

The £4.8 million charge that comprises the other balance within the unallocated segment includes a tax charge of £1.7 million, a contribution of £0.7 million to the UNITE Foundation, fair value of share options charge of £0.2 million and own shares acquired of £2.2 million.

31 December 2016

	UNITE	Share of joint ventures			Group on see through basis
	Total £m	USAF £m	LSAV £m	Total £m	Total £m
Operations					
Operations segment result	31.9	17.3	12.1	29.4	61.3
Property					
Rental growth	35.8	14.8	12.0	26.8	62.6
Yield movement	4.9	7.2	7.5	14.7	19.6
Disposals and acquisition costs	1.0	-	-	-	1.0
Investment property gains	41.7	22.0	19.5	41.5	83.2
Development property gains	36.5	0.4	14.5	14.9	51.4
Pre-contract and other development costs	(1.0)	-	-	-	(1.0)
Total property	**77.2**	**22.4**	**34.0**	**56.4**	**133.6**
Unallocated					
Shares issued	0.3	-	-	-	0.3
Investment in joint ventures	3.5	7.1	(10.6)	(3.5)	-
Convertible bond	2.3	-	-	-	2.3
Dividends paid	(34.2)	-	-	-	(34.2)
USAF performance fee	6.5	-	-	-	6.5
USAF property acquisition fee	0.4	-	-	-	0.4
Swap losses and debt exit costs	(1.0)	-	-	-	(1.0)
Other	(6.3)	-	-	-	(6.3)
Total unallocated	**(28.5)**	**7.1**	**(10.6)**	**(3.5)**	**(32.0)**
Total EPRA NAV movement in the period	**80.6**	**46.8**	**35.5**	**82.3**	**162.9**
Total EPRA NAV brought forward	804.3	305.3	284.8	590.1	1,394.4
Total EPRA NAV carried forward	**884.9**	**352.1**	**320.3**	**672.4**	**1,557.3**

The £6.3 million charge that comprises the other balance within the unallocated segment includes a tax charge of £2.3 million, a contribution of £1.0 million to the UNITE Foundation and a fair value of share options charge of £3.0 million.

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 2017 £m	Unaudited 6 months to 30 June 2016 £m	Year to 31 December 2016 £m
Net asset value reported under IFRS		**1,598.5**	**1,344.2**	**1,451.6**
Mark to market interest rate swaps		12.7	21.7	14.9
Deferred tax *		5.1	41.4	5.4
EPRA NAV (pre convertible)		**1,616.3**	**1,407.3**	**1,471.9**
Convertible bond		-	84.2	85.4
EPRA NAV	2.3a	**1,616.3**	**1,491.5**	**1,557.3**
Mark to market of fixed rate debt		16.9	(9.7)	(19.7)
Mark to market interest rate swaps		(12.7)	(21.7)	(14.9)
Deferred tax		(5.1)	(41.4)	(5.4)
EPRA NNNAV		**1,615.4**	**1,418.7**	**1,517.3**

* With effect from 1 January 2017, the Group converted to REIT status and is exempt from tax on its property business. The deferred tax liability relating to unrealised gains on joint venture investments of £17.0 million, which are not exempt from tax, exceeds the deferred tax asset relating to tax adjusted losses carried forward of £11.9 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, giving the £5.1m net liability shown above.

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 2017 £m	Unaudited 30 June 2016 £m	31 December 2016 £m
Net assets				
Basic	2.3c	1,598.5	1,344.2	1,451.6
EPRA	2.3a	1,616.3	1,491.5	1,557.3
EPRA diluted		1,618.8	1,493.7	1,559.9
EPRA NNNAV (diluted)		1,617.9	1,420.9	1,520.0
Number of shares (thousands)				
Basic		241,187	222,327	222,268
Convertible bond		-	18,124	18,426
Outstanding share options		951	654	762
Diluted		242,138	241,105	241,456
Net asset value per share (pence)				
Basic		663p	605p	653p
EPRA		670p	620p	647p
EPRA (fully diluted)		**669p**	**620p**	**646p**
EPRA NNNAV (fully diluted)		**668p**	**589p**	**630p**

2.4. Revenue and costs

Revenue included in the consolidated income statement is allocated to the Group's segments as follows:

		Note	Unaudited 6 months to 30 June 2017 £m	Unaudited 6 months to 30 June 2016 £m	Year to 31 December 2016 £m
Rental income	Operations segment	2.2a	53.5	54.5	97.1
Management fees	Operations segment		8.5	7.8	15.6
Development fees	Property segment		-	0.7	1.0
LSAV acquisition fee	Unallocated		0.5	-	-
USAF acquisition fee	Unallocated		0.3	0.4	0.4
USAF performance fee	Unallocated		-	-	7.0
			62.8	63.4	121.1
Impact of minority interest on management fees			(0.1)	(0.1)	(0.4)
Total revenue			**62.7**	**63.3**	**120.7**

Rental income in the above analysis is based on the Group's wholly owned properties, with the rental income arising in relation to the group share of the Joint Ventures being included within Share of joint venture profit.

The cost of sales included in the consolidated income statement includes property operating expenses of £14.1 million (30 June 2016: £14.8 million), operating lease rentals of £6.4 million (30 June 2016: £7.0 million), costs associated with development fees of £0.5 million (30 June 2016: £0.8 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.

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 2017 and throughout 2016.

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 Executive Committee. 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 2017 are shown in the table 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 period ended 30 June 2016 and the fair value of the Group's wholly owned property portfolio at the year ended 30 June 2016 is as follows:

Unaudited 30 June 2016

	Investment property £m	Investment property under development £m	Total £m
At 1 January 2016	1,024.4	149.8	1,174.2
Cost capitalised	0.4	57.4	57.8
Interest capitalised	–	3.2	3.2
Valuation gains	41.9	17.1	59.0
Valuation losses	(4.4)	(5.9)	(10.3)
Net valuation gains	37.5	11.2	48.7
Carrying value and market value at 30 June 2016	**1,062.3**	**221.6**	**1,283.9**

The movements in the carrying value of the Group's wholly owned property portfolio during the period ended 31 December 2016 and the fair value of the Group's wholly owned property portfolio at the year ended 31 December 2016 is as follows:

31 December 2016

	Investment property £m	Investment property under development £m	Total £m
At 1 January 2016	1,024.4	149.8	1,174.2
Cost capitalised	7.6	101.7	109.3
Interest capitalised	–	5.9	5.9
Transfer from investment property under development	36.6	(36.6)	-
Transfer from work in progress	–	8.0	8.0
Disposals	(44.0)	(84.4)	(128.4)
Valuation gains	44.9	41.2	86.1
Valuation losses	(7.9)	(1.0)	(8.9)
Net valuation gains	37.0	40.2	77.2
Carrying value and market value at 31 December 2016	**1,061.6**	**184.6**	**1,246.2**

b) Fair value measurement

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

Class of asset	6 months to 30 June 2017 £m	6 months to 30 June 2016 £m	31 December 2016 £m
London – rental properties	431.6	420.0	424.9
Major provincial – rental properties	429.4	450.1	440.2
Other provincial – rental properties	190.1	192.2	196.5
Major provincial – development properties	220.8	132.7	158.4
Other provincial – development properties	42.6	88.9	26.2
Market value	**1,314.5**	**1,283.9**	**1,246.2**

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 2017 £m	6 months to 30 June 2016 £m	31 December 2016 £m
Opening fair value	1,246.2	1,174.2	1,174.2
Gains and losses recognised in income statement	28.3	48.7	77.2
Acquisitions	-	–	–
Capital expenditure	68.7	61.0	123.2
Disposals	(28.7)	–	(128.4)
Closing fair value	**1,314.5**	**1,283.9**	**1,246.2**

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)	£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 provincial		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 provincial		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 provincial		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 provincial		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	**1314.5**				

	Fair value £m	Valuation technique	Unobservable inputs	Range	Weighted average
London		Discounted	Net rental income (£ per week)	£179 - £327	£242
- rental properties	420.0	cash flows	Estimated future rent (%)	2% - 4%	3%
			Discount rate (yield) (%)	4.5% - 5.2%	4.7%
Major provincial		Discounted	Net rental income (£ per week)	£102 - £149	£125
- rental properties	450.1	cash flows	Estimated future rent (%)	1% - 6%	4%
			Discount rate (yield) (%)	5.2% - 7.0%	5.8%
Other provincial		Discounted	Net rental income (£ per week)	£77 - £148	£122
- rental properties	192.2	cash flows	Estimated future rent (%)	2% - 6%	4%
			Discount rate (yield) (%)	5.7% - 9.9%	6.2%
Major provincial		Discounted	Estimated cost to complete (£m)	£1.9m - £59.4m	£30.7m
- development properties	132.7	cash flows	Estimated future rent (%)	3%	3%
			Discount rate (yield) (%)	5.1% - 6.3%	5.8%
Other provincial		Discounted	Estimated cost to complete (£m)	£2.3m – 20.2m	£8.3m
- development properties	88.9	cash flows	Estimated future rent (%)	3%	3%
			Discount rate (yield) (%)	5.8% - 5.9%	5.9%
Fair value at 30 June 2016	**1,283.9**				

	Fair value £m	Valuation technique	Unobservable inputs	Range	Weighted average
London		Discounted	Net rental income (£ per week)	£179 - £327	£249
- rental properties	424.9	cash flows	Estimated future rent (%)	1% - 6%	4%
			Discount rate (yield) (%)	4.5% - 5.2%	4.7%
Major provincial		Discounted	Net rental income (£ per week)	£105 - £162	£129
- rental properties	440.2	cash flows	Estimated future rent (%)	1% - 7%	4%
			Discount rate (yield) (%)	5.2% - 7.0%	5.7%
Other provincial		Discounted	Net rental income (£ per week)	£95 - £153	£126
- rental properties	196.5	cash flows	Estimated future rent (%)	2% - 8%	3%
			Discount rate (yield) (%)	5.5% - 12.0%	6.2%
Major provincial		Discounted	Estimated cost to complete (£m)	£10.5m - £59.5m	£36.1m
- development properties	158.4	cash flows	Estimated future rent (%)	3%	3%
			Discount rate (yield) (%)	4.8% - 5.9%	5.6%
Other provincial		Discounted	Estimated cost to complete (£m)	£12.3m - £26.5m	£20.1m
- development properties	26.2	cash flows	Estimated future rent (%)	3%	3%
			Discount rate (yield) (%)	5.7% - 5.8%	5.7%
Fair value at 31 December 2016	**1,246.2**				

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 2017 £m	Unaudited 6 months to 30 June 2016 £m	Year to 31 December 2016 £m
Interests in land	1.1	2.7	0.8
Other stocks	2.6	3.9	2.1
Inventories	**3.7**	**6.6**	**2.9**

3.3 Investments in joint ventures

The Group has two joint ventures:

Joint venture	Group's share of assets/results 2017 (2016)	Objective	Partner	Legal entity in which Group has interest
The UNITE UK Student Accommodation Fund (USAF)	25.0%* (24.6%)	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 and Edinburgh	GIC Real Estate Pte, Ltd Real estate investment vehicle of the Government of Singapore	LSAV Unit Trust, a Jersey Unit Trust, LSAV (Holdings) Ltd, incorporated in Jersey and LSAV (Aston Student Village) Unit Trust, a Jersey Unit Trust

* 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 23.5% (30 June 2016 and 31 December 2016: 23.0%) 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 £72.3 million during the 6 months ended 30 June 2017 (30 June 2016: £61.6 million), resulting in an overall carrying value of £765.2 million (30 June 2016: £672.2 million). The following table shows how the increase has been achieved.

	Unaudited 6 months to 30 June 2017 £m	Unaudited 6 months to 30 June 2016 £m	Year to 31 December 2016 £m
Recognised in the income statement:			
Operations segment result	19.2	17.2	29.4
Minority interest share of Operations segment result	0.7	0.7	1.2
Management fee adjustment relating to trading with joint venture	2.8	2.5	5.4
Net revaluation gains	11.7	35.8	58.8
Loss on cancellation of interest rate swaps	(0.3)	–	–
Profit on disposal of investment property	1.7	–	–
Other	(0.2)	0.2	–
	35.6	56.4	94.8
Recognised in equity:			
Movement in effective hedges	0.9	(2.9)	(1.4)
Other adjustments to the carrying value:			
Profit adjustment related to trading with joint venture	(3.4)	(2.4)	(6.3)
Performance fee units issued in USAF	8.1	25.6	25.6
Additional capital invested in LSAV	48.6	–	(1.2)
Distributions received	(17.5)	(15.1)	(29.2)
Increase in carrying value	**72.3**	**61.6**	**82.3**
Carrying value brought forward	692.9	610.6	610.6
Carrying value carried forward	**765.2**	**672.2**	**692.9**

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 investment management fees from USAF and LSAV, which collectively include performance fees if the joint ventures outperform certain benchmarks, and property acquisition fees. The Group receives an enhanced equity interest in the JV's as consideration for the performance fee. The Group has recognised the following management fees in its results for the year.

	Unaudited 6 months to 30 June 2017 £m	Unaudited 6 months to 30 June 2016 £m	Year to 31 December 2016 £m
USAF	6.6	4.9	12.8
LSAV	4.7	2.7	8.0
Property management fees	**11.3**	**7.6**	**20.8**
LSAV	–	0.7	1.0
Development management fees	**–**	**0.7**	**1.0**
USAF performance fee	–	–	8.1
USAF acquisition fee	0.3	0.5	0.5
LSAV acquisition fee	1.0	–	–-
Investment management fees	**1.3**	**0.5**	**8.6**
Total fees	**12.6**	**8.8**	**30.4**

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 2017	Unaudited 6 month to 30 June 2016	Year to 31 December 2016
	£m	£m	£m
Current			
In one year or less, or on demand	1.3	1.4	1.3
Non-current			
In more than one year but not more than two years	22.8	1.5	108.1
In more than two years but not more than five years	305.5	302.6	126.3
In more than five years	130.8	239.8	239.1
	459.1	543.9	473.5
Total borrowings	**460.4**	**545.3**	**474.8**

During the first half of the year Unite redeemed the full principal value of £89.9 million of the convertible bond in exchange for 18,593,589 shares.

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 2017		Unaudited 6 months to 30 June 2016		Year to 31 December 2016	
	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	98.4	174.3	212.2	176.2	215.0
Level 2 IFRS fair value hierarchy	239.7	217.9	240.9	209.1	240.3	212.5
Other loans	130.7	130.7	130.1	124.5	58.3	54.7
Total borrowings	**460.4**	**447.0**	**545.3**	**545.8**	**474.8**	**482.2**

The fair value of loans classified as Level 1 in the IFRS fair value hierarchy is determined using quoted prices in active markets for identical liabilities.

The fair value of loans classified as Level 2 in the IFRS fair value hierarchy has been calculated by a third party expert discounting estimated future cash flows on the basis of market expectation of future interest rates.

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 2017 £m	Unaudited 6 months to 30 June 2016 £m	Year to 31 December 2016 £m
Current	–	–	–
Non-current	10.2	16.8	11.6
Fair value of interest rate swaps	**10.2**	**16.8**	**11.6**

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. The IFRS 13 level categorisation relates to the extent the fair value can be determined by reference to comparable market values. The classifications range from level 1 where instruments are quoted on an active market through to level 3 where the assumptions used to arrive at fair value do not have comparable market data.

4.3 Dividends

During the 6 months to 30 June 2017, the Company declared and paid a final dividend of £23.2 million (30 June 2016: £21.0 million). After the period end, the Directors proposed an interim dividend of 7.3p per share (30 June 2016: 6.0p per share). No provision has been made in relation to this dividend.

Independent review report to The UNITE Group plc

Introduction
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 2017 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 the 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 Provided by the Independent Auditor of the Entity" issued by the Auditing Practices Board. 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 Auditing Practices Board 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 Ireland) 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 2017 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, UK

26 July 2017

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Registered number
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ADDENDUM

The buildings within our estate are all designed and built with students in mind. The details of the fire and management systems in place in our buildings are set out below:

- All of Unite's properties have been designed to meet stringent fire safety requirements and have life safety systems installed that match the individual requirements of each building. This may include but will not be limited to alarm systems, sprinklers, dry/wet risers and automatic smoke ventilation
- We have fully addressable L (Life) type fire alarm systems in all of our properties that means that all areas of the premises are covered with smoke or heat detection, including bedrooms, kitchens, plant rooms and communal areas. This alarm is also connected to an internal Alarm Receiving Centre (ARC) that is manned 24/7 and 365 days of the year. We routinely work closely with experts from local fire services to make sure these are effective
- All of our buildings are designed to ensure compartmentation in the event of an incident, for example, fire doors with self-closers are fitted as standard. We work closely with members of the Association for Specialist Fire Protection to ensure the fire strategy of our buildings is not compromised through a series of regular checks as part of our Fire Assessment Regime
- All of our systems and fire safety procedures are tested rigorously and regularly
- In addition to the physical fire safety measures we have in place, all our staff are trained in proactive and reactive fire safety management, which includes building inspections, routine fire alarm testing, evacuations and inductions for residents. In the event of smoke or heat being detected, our systems assume that a fire situation is present and students are prompted to evacuate. Our fire policy everywhere is for students to leave the building
- All our life systems are robustly tested in line with British Standards guidelines by competent staff and accredited third parties to ensure that they are operational at all times. We conduct routine inspections on all plant and equipment including electrical and gas systems using accredited personal and third parties
- We have control over our physical estate, including the provision of all white goods as well as the installation, management and maintenance of areas such as fire doors, door closers and smoke and heat detectors. We physically inspect our buildings through regular building patrols, the purpose of which is to check key fire management equipment
- We provide fire education to all of our students