Press Release

30 August 2012

The UNITE Group plc

("UNITE" / "Group" / "Company")

Half year results for the period ended 30 June 2012

UNITE REPORTS STRONG NAV GROWTH AND DOUBLING OF PROFITS

The UNITE Group plc, the UK's leading developer and manager of student accommodation, today announces its half year results for the six months to 30 June 2012.

<u>Highlights</u>

Strong financial performance

- Recurring profits from operations (Net Portfolio Contribution) increased to £14.4 million (year to December 2011: £11.0 million, six months to June 2011: £7.2 million);

- Adjusted earnings per share increased 190% to 9.0 pence (six months to June 2011: 3.1 pence);

- Adjusted, diluted NAV per share up 5.3% to 335 pence (December 2011: 318 pence, June 2011: 310 pence);

- Like for like rental growth for the six months since December 2011 of 1.8%, delivering capital growth of £20 million;

- Average portfolio initial yield stable at 6.6%;

- Operations cashflow increased 17.8% to £13.9 million for the six months;

- Interim dividend increased to 1.0 pence per share (2011 interim: 0.5 pence). Full year dividend expected to represent 25% of Net Portfolio Contribution.

Financial position strengthened further

- New £121 million 10 year senior debt facility arranged with Legal and General;

- £169 million of other debt facilities arranged or extended; weighted average cost of debt reduced to 5.5% (December 2011: 5.7%);

- £95 million of asset sales completed or exchanged unconditionally year to date in line with valuation. £48 million of these sales undertaken on behalf of co-investment vehicles. On track to achieve asset sales within £100-£150 million target range for full year;

- 2012 development programme completed on time and to budget, providing 1,825 beds;

- See through LTV stable at 54% at June 2012 (December 2011: 54%), reducing to 52% after accounting for disposals completed/exchanged unconditionally after reporting date;

- UNITE Modular Solutions (UMS) facility disposed of and third party contracts expected to be concluded within existing provision.

Positive outlook

- Current reservations for 2012/13 robust at 87%, compared to 89% in 2011 when there was a surge of applications ahead of increased tuition fees and 87% in 2010. Supportive of rental growth of 3-4% for the full year;

- 2014 London development pipeline committed and with 2012 completions on track to deliver £44 million of NAV uplift (27 pence per share) by December 2014.

Mark Allan, Chief Executive, The UNITE Group said:

"During the first half of 2012, the business has built on the strong operational momentum created in 2011. High occupancy, solid rental growth and cost efficiencies have underpinned a further significant improvement in the Group's profitability. The healthy level of forward reservations and the successful completion of our 2012 development pipeline suggests this will be maintained for the full year.

"Meanwhile, significant achievements in asset sales and the arrangement or extension of important debt facilities mean that the Group's financial position continues to strengthen.

"The UK economy remains challenging and we continue to be vigilant to the risks that are present as a result. However, demand for UK University places, and consequently accommodation, continues to be strong and UNITE remains well placed for the future."

Conference Call

There will be a conference call for analysts and investors at 09:15am today. To participate in the call, please dial:

Dial in No: 0845 401 0014 (UK) or +44(0)20 3059 8125 (all other locations)

Event title: UNITE Group Half Year Results Conference Call

You can view the live webcast at the UNITE Group website www.unite-group.co.uk/investors.

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Overview

In the first six months of 2012 UNITE successfully maintained the positive operational momentum created in 2011. High occupancy across the entire portfolio, coupled with a variety of efficiency initiatives, underpinned a further significant improvement in the Group's core profitability. Net Portfolio Contribution (NPC) increased to £14.4 million for the six months, compared to £7.2 million for same period in 2011, and our net operating income (NOI) margin improved to 74.8% from 71.3% for the same period in 2011.

This improved profitability, together with solid rental growth and further progress with our development pipeline combined to deliver a 5.3% increase in adjusted NAV per share to 335 pence for the six months with yields remaining stable at 6.6% despite the continued volatility in the wider UK economy.

Alongside the positive operational performance of the business, we also passed some important milestones with regard to the Group's financing and capital structure. Over the last 12 months we have sold £95 million of assets which in aggregate were in line with valuations. This has helped us to manage gearing and leaves us well placed to achieve our asset sales target for the full year. We have also successfully arranged or extended a number of debt facilities, including a landmark transaction with Legal and General, and continue to make good progress in all other areas of financing.

Away from our core activities, we were able to dispose of our UMS business to a new modular construction market entrant, transferring over 100 jobs, and believe that the provision we made in 2011 remains adequate.

The Group's encouraging financial achievements so far in 2012 go hand in hand with further improvements in customer service, both for our student residents and our University partners, creating a sustainable platform for the future. As was the case in 2011, these improvements are the result of an impressive team effort from our dedicated employees across the business and this is an excellent opportunity to recognise their achievements and thank them for their contribution.

Over the past 18 months we have successfully remodelled the business and pursued a more focused strategy. Our pursuit of a more balanced return profile, in particular growing recurring profits, is proving successful and our continued focus on London as our core market is also proving beneficial.

In recent years, Boards and management teams worldwide have had to adjust to operating in a much more volatile environment. Our response at UNITE has been, and remains, to focus on the basics; to keep growing recurring profits substantially and sustainably, to pursue attractive development opportunities selectively, and to manage the Group's financial position prudently. We remain alert to the risks around us but, based on a robust demand outlook, sound financial position and with a clear strategy in place and being delivered, we continue to look forward with confidence.

Performance summary

Our objectives for 2012 are to continue to grow recurring profits and cash flow, to improve the quality of our portfolio through a combination of selective development and targeted disposals and to manage the Group's financing effectively in challenging conditions. Our progress year to date has been encouraging and we are firmly on track.

Our key financial metrics of Net Portfolio Contribution and Adjusted Net Asset Value both increased positively in the six months to 30 June 2012, whilst gearing has been carefully managed and our portfolio weighting towards London increased to 45% over the six months, from 41% at December 2011.

Financial highlights

	30 June 2012	**30 June 2011**	**31 Dec 2011**
NPC	£14.4m	£7.2m	£11.0m
Profit before tax	£33.5m	£16.3m	£4.7m
NPC per share	9.0p	4.5p	6.9p
Adjusted EPS (pre UMS for 2011)	9.0p	3.1p	2.6p
Operations cashflow	£13.9m	£11.8m	£13.8m
Dividend	1.0pps	0.5pps	1.75pps
NAV per share (adjusted, fully diluted)	335 pence	310 pence	318 pence
Gearing (adjusted)	92%	78%	84%
See through loan to value ratio	54%	54%	54%
Occupancy for current academic year	99%	97%	99%
Reservations for next academic year at 29 August	87%	89%	n/a
Like for like rental growth	1.8%	1.5%	3.1%

Operations review

Sales, rental growth and profitability

In the first six months of 2012 our ongoing improved operational performance has delivered a doubling of NPC, to £14.4 million. This growth has largely been driven from the high occupancy levels, new beds delivered and rental growth across the portfolio together with careful cost control and the impact of efficiency savings announced in late 2011.

Net Portfolio Contribution

	6 month to 30 June 2012 £m	6 month to 30 June 2011 £m	Year to 31 Dec 2011 £m
Total income from managed portfolio	124.1	112.5	219.5
UNITE's share of rental income	56.7	48.8	95.6
UNITE's share of total income	45.7%	43.4%	43.6%
UNITE's share of operating costs	(14.3)	(14.0)	(29.4)
Net operating income (NOI)	42.4	34.8	66.2
NOI margin	74.8%	71.3%	69.2%
Management fee income	5.0	5.0	10.1
Operating expenses	(10.3)	(10.7)	(21.6)
Finance costs[1]	(22.7)	(21.9)	(43.7)
Net portfolio contribution	**14.4**	**7.2**	**11.0**

[1] Finance costs include net interest of £16.5m and lease payments of £6.2m on sale and leaseback assets

UNITE's share of total income from our managed portfolio has increased to 45.7% from 43.4% as a result of portfolio movements including four new property openings in 2011, the acquisition of the remaining 49% of our UNITE Student Village JV with Lehman Brothers ("USV") that we did not already own and various disposals, both from our own balance sheet and on behalf of USAF.

The Group's NOI margin has increased to 74.8% from 71.3% as our cost efficiency activities take full effect, particularly in the areas of marketing and debt management. Favourable utilities pricing and consumption figures, particularly compared with the first six months of 2011 due to the mild winter this year, also contributed to this improved margin. As a result of these savings we expect to exceed our 70% NOI margin target for the full year.

As we report these results we are concluding our involvement with the Olympic and Paralympic Games, following a successful partnership with LOCOG. The financial results associated with our LOCOG contract are in line with our previous statements and we expect a one-off positive impact to NPC of between £1 million and £1.5 million.

Financing costs have increased by £0.8 million to £22.7 million compared with the six month period ended June 2011. This reflects the impact of the portfolio movements outlined above, partially offset by a reduction in our average cost of debt.

Reservations

Reservations for the 2012/13 academic year are on track. At 29 August 2012, reservations across UNITE's portfolio stood at 87% of available rooms compared to 89% at the same point in 2011, when there was a rush in applications ahead of the introduction of increased tuition fees, and 87% in 2010.

Investment in our sales process has resulted in a 5% like-for-like improvement in our rates of conversion from enquiry to booking which, over time, will enable us to achieve further savings in our operational marketing costs.

Whilst reservations performance is on track, we have experienced a marked shift in buying patterns this year as a result of the new tuition fee regime. Most major phases of the annual sales cycle occurred later than in previous years and this trend has continued into the post A-level results phase, with both students and Universities taking longer to confirm University places than has been the case historically.

We attribute this to the greater ability for students to "trade-up" to a different University if they achieve better than expected results, the knock-on impact of these late flows and the greater uncertainty for other clearing participants that results. However, based on current enquiry levels we do not expect these factors to affect final occupancy levels.

Customer service and organisation

Service performance in the first six months has been encouraging, benefiting from the increased empowerment and accountability provided to our customer-facing city teams. This has been supported by further investment in our online booking system, numerous procurement efficiencies, and further improvements to our customer contact centre.

The combination of these incremental and sustainable improvements led to our highest ever customer satisfaction scores in our recent Spring survey. In the second half of the year, we will focus on further efficiency improvements, a number of enhancements in technology and investing in our front line teams to ensure they can continue to deliver great service.

Operations outlook

Our Operations business has continued to improve performance over all key measures, with a number of activities enabling further increases in NOI margin, primarily improvements in utilities costs, debt management and overhead efficiencies.

The 2012/13 rental growth outlook remains firmly within our 3-4% forecast range, with strong performance in London and several provincial cities, underpinned by the proximity of our properties to the UK's stronger universities.

The outlook for the remainder of this year and into 2013 is positive. The NOI impact of our four new openings for the 2012/13 academic year will broadly offset the dilutive effect of our ongoing disposal programme and we are confident that our improved margin and customer service performance will be sustained, adding to the positive effect of rental growth.

Property review

NAV growth

Adjusted NAV per share increased by 5.3% to 335 pence at 30 June 2012 (31 December 2011: 318 pps), driven by rental growth and development profits but partially offset by interest rate swap breakage costs linked to debt refinancing. Yields were stable at an average 6.6%.

Reported net asset value, which includes the impact of mark to market adjustments on interest rate swaps and some properties at cost, was £437 million at 30 June 2012 (December 2011: £405 million).

The main factors behind the 17 pence per share growth in adjusted net assets were:

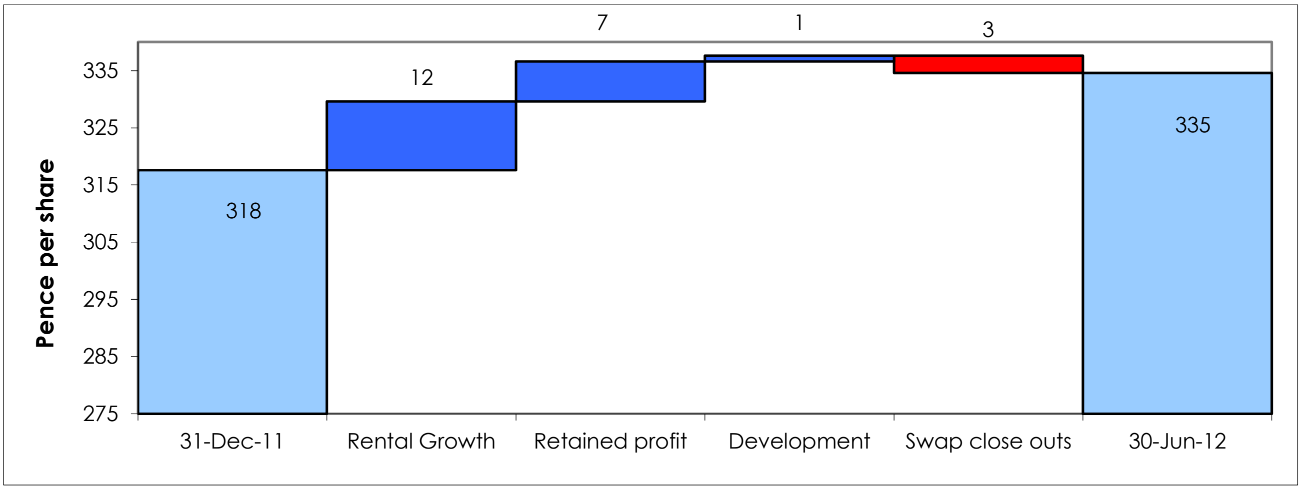
- The growth in the value of the Group's share of assets as a result of rental growth (+12 pence per share), with average yields remaining flat.

- The positive impact of retained profits (+7 pence per share).

- The value added to the development portfolio net of pre-contract costs (+1 pence per share), relating purely to 2012 completions with no additional value booked to the 2014 programme.

- The impact of swap breakage costs (-3 pence per share) related to the Legal and General financing.

Adjusted NAV Bridge



We expect continued NAV growth in the second half as further rental growth is booked and development profits begin to flow as our 2012 projects are completed and our 2014 programme commences on site. We expect average yields to remain broadly flat for the full year although this is likely to mask fluctuations at an asset level.

Property portfolio

The valuation of our property portfolio at 30 June 2012, including our share of gross assets held in USAF and joint venture vehicles, was £1,269 million (31 December 2011: £1,206 million). The £63 million increase was primarily attributable to £37 million of capital expenditure, the acquisition of the 49% stake in USV for £28 million and £22 million of valuation movements less our share of disposals completed by 30 June of £25 million. The valuation of the investment portfolio has increased by 1.8% on a like for like basis over the six months, reflecting growth in headline rents.

Summary balance sheet

	30 June 2012			30 June 2011			31 December 2011		
	Wholly owned £m	Fund/ JV £m	Total £m	Wholly owned £m	Fund/JV £m	Total £m	Wholly owned £m	Fund/JV £m	Total £m
Rental properties	673	368	1,041	519	395	914	617	400	1,017
Properties under development	228	-	228	203	-	203	189	-	189
	901	368	1,269	722	395	1,117	806	400	1,206
Debt on rental properties (net of cash)	(421)	(182)	(603)	(283)	(211)	(494)	(394)	(212)	(606)
Debt on properties under development	(80)	-	(80)	(108)	-	(108)	(40)	-	(40)
	(501)	(182)	(683)	(391)	(211)	(602)	(434)	(212)	(646)
Other assets / (liabilities)	(41)	(1)	(42)	(9)	(6)	(15)	(40)	(6)	(46)
Adjusted net assets	**359**	**185**	**544**	**322**	**178**	**500**	**332**	**182**	**514**

We have continued to shift the weighting of our property portfolio towards rental properties with 82% of the portfolio being income generating and 18% being under development. In line with our strategy, we have increased our London exposure with 45% of our capital now invested in London assets (including developments), up from 41% at December 2011. London remains UNITE's key market due to its size, high concentration of top quality Universities, international reputation and significant demand/supply imbalance. We expect our London weighting to exceed 50% by December 2014.

A split of rental properties by ownership and location as at 30 June 2012 is set out in the following table:

UNITE portfolio analysis at 30 June 2012

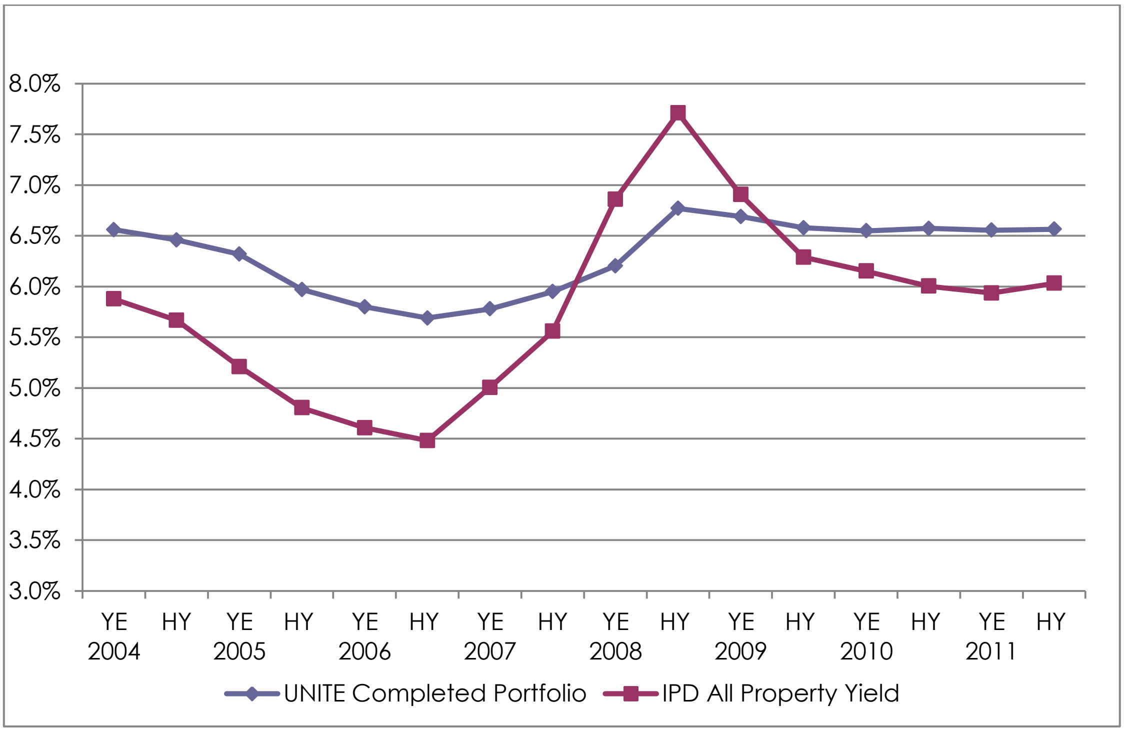
		USAF	UCC	OCB	Wholly Owned	Leased	Total	UNITE %
London	Value (£m)	186	343	190	166	-	**885**	**348**
London	Beds	1,426	2,268	1,128	1,284	260	**6,366**	**33%**
Major Provincial	Value (£m)	877	34	-	316	-	**1,227**	**469**
Major Provincial	Beds	16,050	333	-	5,750	2,147	**24,280**	**45%**
Provincial	Value (£m)	208	-	-	190	-	**398**	**224**
Provincial	Beds	3,875	-	-	3,858	1,785	**9,518**	**22%**
Total	**Value (£m)**	**1,271**	**377**	**190**	**672**	**-**	**2,510**	**1,041**
Total	Beds	21,351	2,601	1,128	10,892	4,192	**40,164**	
UNITE Ownership share		16%	30%	25%	100%	100%		
UNITE ownership (£m)		**208**	**113**	**48**	**672**	**-**	**1,041**	

Student accommodation yields

Yields remained stable across the UNITE portfolio during the first six months of 2012 with the average net initial yield at 6.6%, and have now remained at this level for the last three years. This is well supported by an active student accommodation investment market with transactions estimated at £800 million of capital (8,900 beds), exchanged or completed so far in 2012. The vast majority of transactions (80%) were for London assets, with a slight bias towards assets with University leases/nominations in place (52%). Based on current activity we would expect transaction volumes in the second half to exceed the first half.

The following graph compares the yields on UNITE's completed portfolio and the Investment Property Databank (IPD) All Property Yield over the last eight years and demonstrates the relative stability of UNITE's yields during a period of considerable volatility in the wider property market.

UNITE vs IPD All Property net initial yields



In overall terms we expect average student accommodation yields to remain broadly flat in the second half although this is likely to mask movements at a city level. Demand for good quality London assets, where the number of leased properties is limited, is translating into strong demand for well-located London direct let properties and we are likely to see these yields firm up as a result. Conversely, limited investment demand in a small number of perceived weaker provincial locations and the highly leveraged nature of some regional operators seems likely to translate into slightly weaker yields in these locations.

Yield breakdown

Asset type		**NOI yield range**	**Trend**
London	lease/noms*	5.5 – 6.0%	stronger
	direct let	6.0 – 6.5%	stronger
Major provincial	lease/noms*	5.75 – 6.25%	stronger
	direct let	6.5 – 7.0%	stable
Provincial	lease/noms*	6.0 – 6.5%	stable
	direct let	6.75 – 7.5%	weaker

* Nominations lease agreement in place with University

Development activity

The Group will open 1,825 beds in four new developments during 2012 on time and to budget. The four sites, three in London and one in Glasgow, have already achieved healthy reservations and will open for occupation in September 2012. They include a significant development in London's South Bank area, 674-bed Moonraker Point, for which we have secured a 15-year nominations agreement with Kings College London, and North Lodge in Tottenham, which has excellent transport links to central London and allows us to offer accommodation at a more affordable price point.

No project completions are planned for 2013. However, following good progress with disposals and debt refinancing we have committed to two significant London schemes that are scheduled to open for the 2014 academic year:

- St Pancras Way, Camden, a 563-bed scheme close to Kings Cross; and
- Stratford City, a 951-bed development adjacent to the Olympic Park.

Both projects are expected to provide attractive returns and together with the 2012 deliveries are on track to deliver £44 million (27 pps) of NAV uplift by December 2014. Stratford forms part of our strategy of targeting well served, highly accessible locations outside zone 1, enabling us to provide good quality accommodation at a particularly affordable price point.

Development Pipeline

	Bed spaces	Total completed value £m	Total develop-ment cost £m	Capex in period £m	Capex remaining £m	Forecast NAV remaining £m	Forecast yield on cost	Typical weekly cluster rent £
2012								
London								
Waterloo Road	146	22	16	4	1	2	9.0%	225
Moonraker Point	674	112	75	13	2	3	9.5%	233
North Lodge	528	46	30	5	1	-	10.3%	160
Glasgow								
Kelvin Court	477	32	26	10	2	1	8.4%	125
	1,825	**212**	**147**	**32**	**6**	**6**	**9.4%**	
2014								
London								
Camden	563	82	59	1	56	24	9.5%	219
Stratford	951	82	60	-	46	14	9.3%	166
	1,514	**164**	**119**	**1**	**102**	**38**	**9.4%**	

Development opportunities in London remain compelling and we are exploring a number of potential future projects. However, these projects will only be pursued in a way that does not stretch the Group's balance sheet. At present the Group has no development commitments beyond its 2014 programme.

Asset management

During 2012 we will complete the refurbishment of two USAF-owned properties, with our share of capital expenditure amounting to approximately £0.5 million. This continues the programme of refurbishment and upgrades which started in 2009 where, by investing in selected older assets, we are able to enhance the experience for our customers and deliver valuation growth as a result of increased rent levels. In 2012 we expect our share of valuation uplift as a result of this programme to be in the region of £1.5 million, net of capital expenditure.

Alongside our refurbishment programme we have also reduced our commercial estate void by converting vacant space to student beds. We have made good progress with 14,000 sq ft of commercial space at Piccadilly Point, Manchester, which has been converted into 58 beds for September 2012 occupation and have also obtained planning permission to convert 11,000 sq ft of commercial space in Grand Central, Liverpool into 30 beds. Both assets are held in USAF and we are confident that further such opportunities remain across the portfolio.

Asset disposals

We are making good progress with our non-core disposal programme. So far in 2012 we have exchanged contracts or completed on the disposal of £95 million of non-core assets, of which £48 million was on behalf of co-investment vehicles, for an aggregate amount in line with December 2011 valuations. A further £35 million of balance sheet assets are under offer for sale.

2012 asset disposals

		Proceeds £m	Book Value £m
Completed/exchanged			
	Wholly owned	45.2	46.1
	Coinvestment vehicles	49.6	47.9
		94.8	94.0
Under offer			
	Wholly owned	35.0	33.0
	Coinvestment vehicles	-	-
		35.0	33.0
Total			
	Wholly owned	80.2	79.1
	Coinvestment vehicles	49.6	47.9
		129.8	127.0

Taking into account the balance sheet sales achieved to date, those currently under offer, other activity and the level of likely acquisitions from UNITE by USAF later in 2012 (£25-30 million), we are confident of achieving asset sales firmly within our target range of £100 million to £150 million by December 2012.

Demand and supply outlook

As we anticipated, the tuition fee increases which come into effect this September have resulted in a modest reduction in University applications of 7.7%. However, in terms of student numbers, we expect the reduction to be limited to the 15,000 fewer funded places announced by the Government earlier this year. This only represents approximately 1% of the total student population and is still expected to mean 160,000 students who apply will not be able to secure a place. Further analysis shows strong support for UNITE's student demographic:

- Applications from non-EU international students – who make up 31% of UNITE's direct let customer base, and 47% in London – increased by 11%, demonstrating the continued appeal and strong global reputation of UK higher education institutions.
- Global student mobility is increasing, with projections from both Universities UK and the British Council suggesting substantial continued growth in international student numbers over the coming decade.
- School leaver applications only reduced by 2.6% (according to figures released by UCAS in June 2012), showing resilience in this key demographic, and revealing that the major decline in applications was from mature students (who generally live at home while studying).

Our alignment with stronger Universities, together with our over-indexing of 'uncapped' non-EU international students, leaves us confident about the effectiveness of our strategy, and the robustness of long term demand.

In terms of supply, the majority of development activity in the sector is focused on London, with provincial development generally constrained by limited availability of finance. We estimate that approximately 15,000 new beds will be completed in London by 2015, although this is still below forecast growth in demand over the same period. The demand/supply imbalance will be greatest at lower price points, where UNITE is continuing to expand its offer.

UNITE Modular Solutions

Following the announcement in March of our intention to close UMS, we have subsequently been able to dispose of the business, its assets and employment liabilities and sub-lease the property to a new entrant into the modular construction sector, transferring over 100 jobs to the buyer.

All works are now complete on UMS' remaining contracts and final accounts are in the process of being agreed. Taking into account the disposal and estimated final accounts on UMS contracts, we continue to expect the full cost of exiting the business to be within the provision made in 2011.

Financial performance

Earnings

Net Portfolio Contribution is our measure of the underlying pre-tax profit of the Operations business, which we use to assess our investment portfolio performance. It includes the pre-tax results of our joint ventures, but excludes capital, development activities and UMS. We also report on Adjusted Profit, which is calculated in line with EPRA guidelines.

Profit

	30 June 2012 £m	30 June 2011 £m	31 Dec 2011 £m
Net portfolio contribution	**14.4**	**7.2**	**11.0**
Development pre-contract costs	(1.3)	(1.6)	(3.3)
Landsbanki recovery, share option, restructuring and other costs	1.3	(0.6)	(3.6)
Adjusted profit (pre-UMS in 2011)	**14.4**	**5.0**	**4.1**
UMS	-	(2.3)	(21.0)
Valuation gains and profit/loss on disposal	16.0	12.1	19.7
Changes in valuation and break costs of interest rate swaps	1.6	0.2	-
Minority interest and tax adjustments	1.5	1.3	1.9
Profit before tax	**33.5**	**16.3**	**4.7**
NPC per share	9.0p	4.5p	6.9p
Adjusted EPS (pre UMS in 2011)	9.0p	3.1p	2.6p

Our adjusted earnings per share has increased by 190% to 9.0 pence (six months to June 2011: 3.1 pence). This will continue to be a focus for the Group and following our exit from UMS we expect a high proportion of NPC to continue to flow through to adjusted profit in the future.

Cash flow and net debt

The Operations business has generated £13.9 million of net cash in the first six months of 2012 (2011: £11.8 million). Cashflow generation is a key objective for the Group and operating cashflow is expected to continue to grow in line with NPC. At the Group level, our overall cash position in the reporting period increased by a smaller amount (£4.3 million) as a result of the net investment into development activities and the cash impact of UMS.

Cashflow

	30 June 2012 £m	30 June 2011 £m	31 Dec 2011 £m
Operations	13.9	11.8	13.8
Property			
Capital expenditure	(64.5)	(77.5)	(137.1)
Disposals	(0.7)	6.5	13.7
Change in debt	61.6	61.8	93.9
Working capital movements	3.5	4.0	20.1
UMS	(5.8)	(3.1)	(7.8)
Corporate	(3.7)	(0.5)	(3.6)
Net cash movement	4.3	3.0	(7.0)

Net debt during the period increased to £501 million from £434 million at 31 December 2011. The movement in net debt was driven primarily by £37 million of capital expenditure on the development pipeline, £57 million impact of the acquisition of USV offset by £14 million of Operations cash and £19 million of disposals. On a see-through basis (including our share of co-investment vehicles) it increased to £683 million (31 December 2011: £646 million).

Adjusted gearing increased to 92% from 84% at 31 December 2011 as a result of the USV acquisition and capital expenditure. However, see through loan-to-value has remained at 54% and this reduces to 52% on a pro forma basis including disposals that have completed or exchanged since the balance sheet date.

We will continue to manage gearing and loan to values proactively and expect both to reduce by the end of 2012 as a result of the disposal programme.

Debt financing

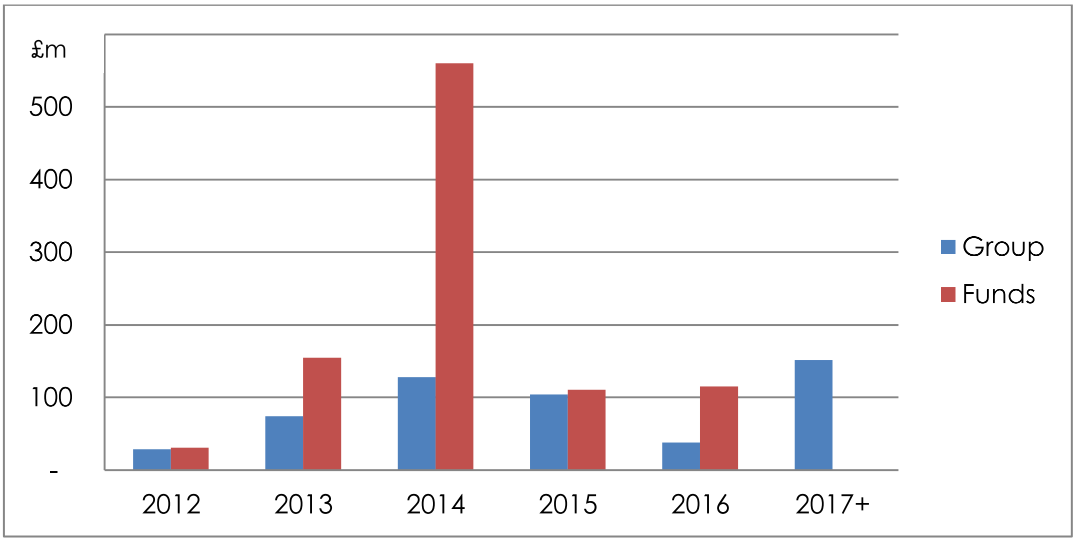
In the first six months we have maintained our focus on controlling gearing levels and extending debt maturities and have had some important successes.

Key debt statistics

	30 June 2012	30 June 2011	31 Dec 2011
Group			
Net debt (adjusted)	£501m	£391m	£434m
Adjusted gearing	92%	78%	84%
Loan to value	56%	54%	54%
Weighted average debt maturity	4 years	3 years	3 years
Weighted average cost of investment debt	5.5%	6.5%	5.7%
Proportion of investment debt hedged	72%	89%	69%
See through (including share of USAF and Joint Ventures)			
Net debt (adjusted)	£683m	£602m	£646m
Adjusted gearing	125%	120%	126%
LTV	54%	54%	54%
Weighted average debt maturity	3 years	3 years	2 years
Weighted average cost of investment debt	5.5%	6.0%	5.5%
Proportion of investment debt hedged	89%	97%	88%

The new £121 million Legal and General facility is an important milestone in the Group's financing strategy, extending the maturity profile from three to four years, helping to reduce the average cost of debt from 5.7% to 5.5% and diversifying the Group's sources of finance. In addition a further £169 million of bank facilities were extended or arranged during the first half of the year.

Debt maturity profiles



The Group has £150 million of undrawn committed facilities and this will be sufficient to refinance the 2012 and 2013 debt maturities following the completion of the planned disposal programme. We are also continuing to make good progress with lenders to extend maturities for facilities in USAF and joint ventures that mature in 2013 and 2014.

Covenant Headroom

We were in full compliance with all of our borrowing covenants at 30 June 2012. Our banking facilities include loan to value and interest cover covenants that are measured at an individual portfolio level. We have maintained significant headroom against both measures with headroom for values to fall by over 20% and rents to fall by 30% before a breach would occur.

Dividend

In light of our continued positive performance, the Group will make an interim dividend payment of 1.0pps (2011: 0.5pps), and intends to pay a dividend equivalent to approximately 25% of NPC for the full year, in line with the payout ratio in 2011. The interim dividend, which will be covered from operating cash flows, will be paid on 9 November 2012 to shareholders on the register at close of business on 12 October 2012.

Co-investment vehicles

UNITE established and acts as co-investing manager of the three specialist student accommodation vehicles outlined in the table below.

Vehicle	Property assets £m	Net Debt £m	Other Assets £m	Adjusted NAV £m	UNITE share of adjusted NAV £m	UNITE share
USAF	1,270	(531)	(23)	716	118	16%
UCC	377	(230)	9	156	47	30%
OCB	190	(105)	(5)	80	20	25%

UNITE UK Student Accommodation Fund ("USAF")

USAF has delivered a strong performance in the first half of 2012 producing a total return of 8.5%, placing it top of the IPD Specialist Funds index for the past 12 month and five year periods. The strong underlying performance was supplemented by the first instalment of repayment of the £30 million deposit USAF placed with Landsbanki in 2008 (£12.5m), which was fully provided for at the time the bank became insolvent. UNITE's share of this receipt was £2.5 million.

During the first six month period USAF disposed of a portfolio of four assets in Manchester. The net proceeds of £21 million, in combination with the Landsbanki recovery, provide USAF with capacity for further acquisitions.

Joint Ventures

We have made good progress in our efforts to consolidate or extend our other joint venture structures:

- In January 2012 we completed the acquisition of the remaining 49% interest in the UNITE Student Village ("USV") joint venture, owned by a subsidiary of Lehman Brothers, on favourable terms adding £2.4 million of NAV in 2012 including £1 million of annualised NPC.
- We have had productive discussions with GIC RE, our partner in the UCC joint venture, and expect to agree a long term strategy for the vehicle ahead of its March 2013 maturity.
- We continue to make good progress in discussions regarding the future strategy for the Oasis Capital Bank ("OCB") joint venture which is due to mature in 2014. The fund has performed well since inception and we expect substantial progress to be made in 2013 in establishing a long term strategy for the vehicle.

Outlook and strategy

In recent years we have re-modelled the UNITE business and pursued a more focused strategy. We have grown recurring profit and cash flow through a combination of rental growth and cost efficiencies; increased our portfolio quality and weighting towards London through selective development and targeted disposals; and improved our capital structure by diversifying our capital sources and controlling leverage.

As a result of the changes we have made and our continued focus in these same areas, the Group is well placed to deliver a healthy, balanced return profile over the coming years. We are targeting low double-digit total returns on Group equity (NAV) with modest associated risk. In particular, we expect the earnings component of returns to continue to increase appreciably as a result of rental growth, new openings and continued cost control.

The UK economy remains in recession and businesses continue to grapple with greater volatility and uncertainty than was the case before the onset of the financial crisis. However demand for UK University places (and consequently accommodation) remains strong, both from domestic and international students, and the supply of new accommodation remains constrained by a shortage of finance and a challenging planning environment. With the strategic milestones that have been achieved in the business, and a positive demand outlook, the business remains well placed for the years ahead.

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

Mark Allan	Joe Lister
Chief Executive Officer	Chief Financial Officer

30 August 2012

Consolidated income statement

For the 6 months to 30 June 2012

	Note	Unaudited 6 months to 30 June 2012 Total £m	Unaudited 6 months to 30 June 2011 Total £m	Year to 31 December 2011 Total £m
Revenue	2.1	**65.7**	**49.0**	**94.9**
Cost of sales		(38.7)	(26.0)	(62.7)
Operating expenses		(12.3)	(14.5)	(39.1)
Results from operating activities		14.7	8.5	(6.9)
Loss on disposal of property		(1.0)	(0.3)	(0.2)
Net valuation gains on property	3.1	11.6	6.6	7.7
Profit before net financing costs		**25.3**	**14.8**	**0.6**
Loan interest and similar charges		(5.3)	(4.3)	(8.7)
Mark to market changes in interest rate swaps		(3.9)	(5.0)	(10.6)
Finance costs		(9.2)	(9.3)	(19.3)
Finance income		0.5	0.4	0.8
Net financing costs		**(8.7)**	**(8.9)**	**(18.5)**
Share of joint venture profit	3.3a	16.9	10.4	22.6
Profit before tax	2.3a	**33.5**	**16.3**	**4.7**
Tax		–	–	(0.8)
Profit for the year		**33.5**	**16.3**	**3.9**
Profit for the period attributable to				
Owners of the parent company	2.3b	32.5	15.3	2.1
Minority interest		1.0	1.0	1.8
		33.5	16.3	3.9
Earnings per share				
Basic	2.3b	20.2p	9.5p	1.3p
Diluted	2.3b	20.2p	9.5p	1.3p

Consolidated statement of comprehensive income

For the 6 months to 30 June 2012

	Unaudited 6 months to 30 June 2012 £m	Unaudited 6 months to 30 June 2011 £m	Year to 31 December 2011 £m
Profit for the period	**33.5**	**16.3**	**3.9**
Movements in effective hedges	0.5	(0.1)	(2.6)
Share of joint venture movements in effective hedges	1.0	0.6	0.1
Other comprehensive income for the period	1.5	0.5	(2.5)
Total comprehensive income for the period	**35.0**	**16.8**	**1.4**
Attributable to			
Owners of the parent company	34.0	15.8	(0.2)
Minority interest	1.0	1.0	1.6
	35.0	16.8	1.4

All movements above are shown net of deferred tax.

Consolidated balance sheet

At 30 June 2012

	Note	Unaudited 30 June 2012 £m	Unaudited 30 June 2011 £m	31 December 2011 £m
Assets				
Investment property	3.1	458.5	396.8	396.2
Property, plant and equipment		1.9	6.6	2.3
Investment in joint ventures	3.3a	181.5	169.0	173.0
Joint venture investment loans	3.3a	10.7	13.7	14.1
Intangible assets		3.7	5.1	4.5
Total non-current assets		**656.3**	**591.2**	**590.1**
Completed property	3.1	187.4	106.6	198.7
Properties under development	3.1	171.2	170.1	135.2
Inventories	3.2	6.8	3.5	8.4
Trade and other receivables		39.0	35.7	41.0
Cash and cash equivalents		21.1	26.8	16.8
Total current assets		**425.5**	**342.7**	**400.1**
Total assets		**1,081.8**	**933.9**	**990.2**
Liabilities				
Borrowings	4.1	(95.9)	(0.3)	(29.2)
Interest rate swaps	4.2	–	(0.1)	–
Trade and other payables		(90.0)	(59.3)	(84.4)
Provisions		–	–	(6.3)
Current tax creditor		(1.0)	(0.3)	(0.4)
Total current liabilities		**(186.9)**	**(60.0)**	**(120.3)**
Borrowings	4.1	(425.6)	(417.1)	(421.5)
Interest rate swaps	4.2	(31.3)	(36.1)	(39.0)
Provisions		(1.2)	–	(4.7)
Total non-current liabilities		**(458.1)**	**(453.2)**	**(465.2)**
Total liabilities		**(645.0)**	**(513.2)**	**(585.5)**
Net assets		**436.8**	**420.7**	**404.7**
Equity				
Issued share capital		40.1	40.1	40.1
Share premium		249.0	249.0	249.0
Merger reserve		40.2	40.2	40.2
Retained earnings		102.8	86.2	72.8
Hedging reserve		(13.0)	(11.7)	(14.5)
Equity attributable to the owners of the parent company		**419.1**	**403.8**	**387.6**
Minority interest		17.7	16.9	17.1
Total equity		**436.8**	**420.7**	**404.7**

Consolidated statement of changes in shareholders' equity

For the 6 months 30 June 2012

	Issued share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Hedging reserve £m	Attributable to owners of the parent £m	Minority interest £m	Total £m
At 1 January 2012 (Unaudited)	**40.1**	**249.0**	**40.2**	**72.8**	**(14.5)**	**387.6**	**17.1**	**404.7**
Profit for the period	–	–	–	32.5	–	32.5	1.0	33.5
Other comprehensive income for the period	–	–	–	–	1.5	1.5	–	1.5
Total comprehensive income for the period	–	–	–	32.5	1.5	34.0	1.0	35.0
Fair value of share based payments	–	–	–	0.8	–	0.8	–	0.8
Own shares acquired	–	–	–	(1.3)	–	(1.3)	–	(1.3)
Dividends paid to owners of the parent company	–	–	–	(2.0)	–	(2.0)	–	(2.0)
Dividends to minority interest	–	–	–	–	–	–	(0.4)	(0.4)
At 30 June 2012	**40.1**	**249.0**	**40.2**	**102.8**	**(13.0)**	**419.1**	**17.7**	**436.8**

	Issued share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Hedging reserve £m	Attributable to owners of the parent £m	Minority interest £m	Total £m
At 1 January 2011 (Unaudited)	**40.1**	**249.0**	**40.2**	**70.4**	**(12.2)**	**387.5**	**16.2**	**403.7**
Profit for the period	–	–	–	15.3	–	15.3	1.0	16.3
Other comprehensive income for the period	–	–	–	–	0.5	0.5	–	0.5
Total comprehensive income for the period	–	–	–	15.3	0.5	15.8	1.0	16.8
Fair value of share based payments	–	–	–	0.5	–	0.5	–	0.5
Dividends to minority interest	–	–	–	–	–	–	(0.3)	(0.3)
At 30 June 2011	**40.1**	**249.0**	**40.2**	**86.2**	**(11.7)**	**403.8**	**16.9**	**420.7**

	Issued share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Hedging reserve £m	Attributable to owners of the parent £m	Minority interest £m	Total £m
At 1 January 2011	**40.1**	**249.0**	**40.2**	**70.4**	**(12.2)**	**387.5**	**16.2**	**403.7**
Profit for the period	–	–	–	2.1	–	2.1	1.8	3.9
Other comprehensive income for the period	–	–	–	–	(2.3)	(2.3)	(0.2)	(2.5)
Total comprehensive income for the period	–	–	–	2.1	(2.3)	(0.2)	1.6	1.4
Fair value of share based payments	–	–	–	1.2	–	1.2	–	1.2
Own shares acquired	–	–	–	(0.1)	–	(0.1)	–	(0.1)
Dividends paid to owners of the parent company	–	–	–	(0.8)	–	(0.8)	–	(0.8)
Dividends to minority interest	–	–	–	–	–	–	(0.7)	(0.7)
At 31 December 2011	**40.1**	**249.0**	**40.2**	**72.8**	**(14.5)**	**387.6**	**17.1**	**404.7**

Consolidated statement of cash flows

For the 6 months to 30 June 2012

	Unaudited 6 months to 30 June 2012 £m	Unaudited 6 months to 30 June 2011 £m	Year to 31 December 2011 £m
Cash flows from operating activities	**(13.4)**	**(35.1)**	**(74.0)**
Cash flows from taxation	**(0.3)**	**(0.4)**	**(0.6)**
Investing activities			
Proceeds from sale of investment property	5.9	2.3	8.3
Dividends received	4.8	2.6	8.9
Interest received	0.1	–	0.1
Acquisition of intangible assets	(0.4)	(0.8)	(1.5)
Acquisition of property	(21.5)	(14.1)	(18.3)
Acquisition of plant and equipment	(0.1)	(0.2)	(0.6)
Cash flows from investing activities	**(11.2)**	**(10.2)**	**(3.1)**
Financing activities			
Total interest paid	(9.6)	(6.9)	(15.0)
Interest capitalised into inventory and property under development included in cash flows from operating activities	4.1	3.5	7.1
Interest paid in respect of financing activities	(5.5)	(3.4)	(7.9)
Ineffective swap payments	(10.9)	(6.2)	(11.7)
Payments to acquire own shares	(1.3)	–	(0.1)
Proceeds from non-current borrowings	173.5	69.6	113.6
Repayment of borrowings	(124.1)	(11.0)	(21.7)
Dividends paid to the owners of the parent company	(2.0)	–	(0.8)
Dividends paid to minority interest	(0.5)	(0.3)	(0.7)
Cash flows from financing activities	**29.2**	**48.7**	**70.7**
Net increase/(decrease) in cash and cash equivalents	**4.3**	**3.0**	**(7.0)**
Cash and cash equivalents at start of period	16.8	23.8	23.8
Cash and cash equivalents at end of period	**21.1**	**26.8**	**16.8**

Notes to the interim financial statements

Section 1: Basis of preparation

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 Services 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 2011.

The comparative figures for the financial year ended 31 December 2011 are not the company's statutory accounts for that financial year. Those accounts have been reported on by the company's auditors and delivered to the registrar of companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matter to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Going concern

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

The Group has prepared cash flow projections with appropriate sensitivities until the end of 2014. The group has borrowing facilities expiring in 2012 and 2013 and is making good progress with lenders to refinance these facilities. Based on the Group's ability to successfully extend or refinance existing facilities in the period to 30 June 2012, the Directors expect that the current discussions with lenders will be successful, but have headroom in other current facilities to cover any expiring debt in 2012 and 2013 should this not be the case.

While the Group will continue to extend future debt maturities, it expects to have sufficient headroom in existing banking facilities and its forecast cash balances to repay any facilities expiring and to meet its funding requirements until at least the end of 2013, while remaining within its banking covenants. The Group is in full compliance with its borrowing covenants at 30 June 2012.

The Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. The 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 attempts to minimise 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 segment's revenues in that period.

Section 2: Results for the year

2.1. Revenue

The Group earns revenue from the following activities:

		Note	Unaudited 6 months to 30 June 2012 £m	Unaudited 6 months to 30 June 2011 £m	Year to 31 December 2011 £m
Rental income	Operations segment	2.2a	40.2	32.7	63.6
Management fees	Operations segment		5.4	5.4	10.6
Management fees	Property segment		–	0.1	1.3
Manufacturing revenue	Property segment		9.2	2.7	11.4
Property sales	Unallocated		11.0	8.2	8.2
			65.8	49.1	95.1
Impact of minority interest on management fees			(0.1)	(0.1)	(0.2)
Total revenue			**65.7**	**49.0**	**94.9**

2.2 Segmental information

The Board of Directors monitor the business along two activity lines. The reportable segments for the 6 months ended 30 June 2012 and 30 June 2011 and for the year ended 31 December 2011 are Operations and Property (in prior years, the same segments were referred to as Investment and Development, however the names have been changed in the current year to be consistent with the Group's new internal terminology).

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.

a) Operations Segment result

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. NPC is the key indicator which is used by the Board to manage the Operations business.

Unaudited 30 June 2012

	UNITE	Share of joint ventures					Group on see through basis
	Total £m	USAF £m	UCC £m	USV £m	OCB £m	Total £m	Total £m
Rental income	40.2	10.1	4.4	0.2	1.8	16.5	56.7
Property operating expenses	(11.1)	(2.5)	(0.5)	–	(0.2)	(3.2)	(14.3)
Net operating income	**29.1**	**7.6**	**3.9**	**0.2**	**1.6**	**13.3**	**42.4**
Management fees*	6.5	(0.7)	(0.6)	–	(0.2)	(1.5)	5.0
Operating expenses	(10.2)	(0.1)	–	–	–	(0.1)	(10.3)
	25.4	6.8	3.3	0.2	1.4	11.7	37.1
Operating lease rentals**	(6.2)	–	–	–	–	–	(6.2)
Net financing costs	(10.9)	(2.6)	(2.0)	(0.1)	(0.9)	(5.6)	(16.5)
Net portfolio contribution	**8.3**	**4.2**	**1.3**	**0.1**	**0.5**	**6.1**	**14.4**

Included in the above is rental income of £9.9 million and property operating expenses of £2.6 million relating to sale and leaseback properties.

Unaudited 30 June 2011

	UNITE	Share of joint ventures					Group on see through basis
	Total £m	USAF £m	UCC £m	USV £m	OCB £m	Total £m	Total £m
Rental income	32.7	9.3	3.9	1.5	1.4	16.1	48.8
Property operating expenses	(10.5)	(2.4)	(0.5)	(0.4)	(0.2)	(3.5)	(14.0)
Net operating income	**22.2**	**6.9**	**3.4**	**1.1**	**1.2**	**12.6**	**34.8**
Management fees*	6.4	(0.7)	(0.5)	–	(0.2)	(1.4)	5.0
Operating expenses	(10.5)	(0.1)	(0.1)	–	–	(0.2)	(10.7)
	18.1	6.1	2.8	1.1	1.0	11.0	29.1
Operating lease rentals**	(6.3)	–	–	–	–	–	(6.3)
Net financing costs	(9.4)	(2.7)	(2.0)	(0.6)	(0.9)	(6.2)	(15.6)
Net portfolio contribution	**2.4**	**3.4**	**0.8**	**0.5**	**0.1**	**4.8**	**7.2**

Included in the above is rental income of £9.7 million and property operating expenses of £2.7 million relating to sale and leaseback properties.

31 December 2011

	UNITE	Share of joint ventures					Group on see through basis
	Total £m	USAF £m	UCC £m	USV £m	OCB £m	Total £m	Total £m
Rental income	63.6	17.8	8.1	3.0	3.1	32.0	95.6
Property operating expenses	(21.7)	(5.0)	(1.2)	(1.0)	(0.5)	(7.7)	(29.4)
Net operating income	**41.9**	**12.8**	**6.9**	**2.0**	**2.6**	**24.3**	**66.2**
Management fees*	12.8	(1.3)	(1.1)	–	(0.3)	(2.7)	10.1
Operating expenses	(21.2)	(0.2)	(0.1)	–	(0.1)	(0.4)	(21.6)
	33.5	11.3	5.7	2.0	2.2	21.2	54.7
Operating lease rentals**	(12.6)	–	–	–	–	–	(12.6)
Net financing costs	(18.8)	(5.3)	(4.0)	(1.3)	(1.7)	(12.3)	(31.1)
Net portfolio contribution	**2.1**	**6.0**	**1.7**	**0.7**	**0.5**	**8.9**	**11.0**

Included in the above is rental income of £18.0 million and property operating expenses of £6.2 million relating to sale and leaseback properties.

* Management fees have been restated to show the gross fees received in the UNITE column and the Group's share of the cost to the joint venture in the relevant joint venture column. This reflects the Group's view that this restatement better reflects where NPC is generated within the Group.

** Operating lease rentals arise from properties which the Group has sold and is now leasing back. As these properties contribute to the Group's rental income, the Group consider these lease costs to be a form of financing.

b) Property Segment result

The Group's Property Segment undertakes the acquisition and development of properties. This includes the manufacture and sale of modular building components, through UNITE Modular Solutions Limited, 'UMS'. The Property Segment's revenue comprises revenue from development management fees earned from joint ventures, and the sale of modules to third parties and joint ventures, as set out in note 2.1.

	Unaudited 6 months to 30 June 2012 £m	Unaudited 6 months to 30 June 2011 £m	Year to 31 December 2011 £m
Pre-contract and abortive costs	(1.3)	(1.5)	(3.2)
Other	–	(0.1)	(0.1)
Property segment result pre UMS losses	(1.3)	(1.6)	(3.3)
UMS losses	–	(2.3)	(21.0)
Property segment result*	**(1.3)**	**(3.9)**	**(24.3)**

* The Group has restated its Property Segment result to exclude profits from the sale of properties and property impairments; so that it's adjusted profit is presented consistently with that recommended by EPRA. All periods presented have been restated accordingly (see note 2.3 for more details).

c) Segmental contribution to NAV

The Board does not use balance sheet information split out by segment to monitor and manage the Group's activities. Instead the position of the Group is managed by reviewing the increases in Adjusted NAV contributed by each segment during the period.

Contributions to Adjusted NAV by each segment during the year is as follows:

	Note	Unaudited 6 months to 30 June 2012 £m	Unaudited 6 months to 30 June 2011 £m	Year to 31 December 2011 £m
Operations				
Net portfolio contribution	2.2a	**14.4**	**7.2**	**11.0**
Property				
Rental growth		20.2	13.3	22.9
Yield movement		–	–	–
Disposals and acquisition costs		(0.3)	(0.5)	0.6
Capital expenditure and refurbishments		0.4	1.7	–
Rental property gains		20.3	14.5	23.5
Development property gains		2.5	7.8	33.3
		22.8	**22.3**	**56.8**
UMS		–	(2.3)	(21.0)
Pre-contract and other development costs		(1.3)	(1.6)	(3.4)
Total property		**21.5**	**18.4**	**32.4**
Unallocated		**(6.6)**	**(0.2)**	**(3.4)**
Total adjusted NAV movement in the period		**29.3**	**25.4**	**40.0**
Total adjusted NAV brought forward		514.5	474.5	474.5
Total adjusted NAV carried forward	2.4a	**543.8**	**499.9**	**514.5**

The unallocated amount includes dividends of £2.0 million (30 June 2011: £nil), current tax charges of £0.4 million (30 June 2011: £0.2 million), purchase of own shares of £1.3 million (30 June 2011: £nil), share of monies received back from Landsbanki £2.5 million (30 June 2011: £nil), swap losses on cancellation of £5.1 million (30 June 2011: £nil) and the share of joint venture swap losses of £0.3 million (30 June 2011: £nil).

2.3 Adjusted profit and EPS

In addition to the IFRS reporting measures, the Group reports adjusted profit on the basis recommended for real estate companies by EPRA, the European Public Real Estate Association. The calculation of adjusted profit/(loss) and adjusted earnings per share has been changed in the period to exclude the impact of property disposals and trading in order to align adjusted profit/(loss) with that recommended by EPRA and to remove the fluctuations these items cause to Group's underlying recurring profits. Prior period numbers have been restated to present the results on a consistent basis.

a) Adjusted profit and reconciliation to IFRS

The adjusted profit/(loss) excludes movements relating to changes in values of investment properties and interest rate swaps, profits from the disposal of properties and property impairments, which are included in the profit reported under IFRS. The adjusted profit/(loss) reconciles to the profit reported under IFRS as follows:

	Note	Unaudited 6 months to 30 June 2012 £m	Unaudited 6 months to 30 June 2011 £m	Year to 31 December 2011 £m
Operations segment result – Net portfolio contribution	2.2a	14.4	7.2	11.0
Property segment result pre UMS losses	2.2b	(1.3)	(1.6)	(3.3)
Unallocated to segments		1.3	(0.6)	(3.6)
Adjusted profit pre UMS losses		**14.4**	**5.0**	**4.1**
UMS losses	2.2b	–	(2.3)	(21.0)
Adjusted profit / (loss)		**14.4**	**2.7**	**(16.9)**
Net valuation gains on investment property		11.6	6.6	7.7
Property disposals and write downs		(2.2)	1.6	1.3
Share of joint venture gains on investment property	3.3a	6.3	3.9	10.7
Share of joint venture profit on disposal of investment property	3.3a	0.3	–	–
Mark to market changes in interest rate swaps*		(3.9)	(5.0)	(10.6)
Interest rate swap payments on ineffective hedges*		5.8	5.2	10.2
Share of joint venture changes in fair value of interest rate swaps	3.3a	(0.3)	–	0.4
Current tax included in unallocated to segments		0.4	0.2	0.4
Share of joint venture deferred tax credit	3.3a	0.4	0.4	0.3
Minority interest share of NPC**	3.3a	0.7	0.7	1.2
Profit before tax		**33.5**	**16.3**	**4.7**

* Within IFRS reported profit, there is a £3.9 million loss (2011: £5.0 million loss) relating to movements in the mark to market of ineffective interest rate swaps. Part of this movement, £5.8 million (2011: £5.2 million) relates to actual interest payments made on these swaps and is considered to be a true operating cost of the Operations Segment. It is therefore already included within Net Financing Costs in NPC (Operating Segment result) in note 2.2a.

** 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.

Unallocated to segments of £1.3m (2011: (£0.6m)) includes the Group's share of cash received from Landsbanki £2.5 million (2011: £nil), current tax charges of £0.4 million (2011: £0.2 million) and share option fair value charges of £0.8 million (2011: £0.5 million).

b) EPS and Adjusted EPS

EPS is the amount of post-tax profits attributable to each share. Basic EPS is adjusted in order to more accurately show the business performance of the Group in a consistent manner and to reflect how the business is managed and measured on a day to day basis. Adjusted EPS is calculated in line with EPRA guidelines using adjusted profit/(loss) as set out above.

The calculations of basic and adjusted EPS for the 6 months ended 30 June 2012 is as follows:

	Note	Unaudited 6 months to 30 June 2012 £m	Unaudited 6 months to 30 June 2011 £m	Year to 31 December 2011 £m
Earnings				
Basic (and diluted)		32.5	15.3	2.1
Adjusted	2.3a	14.4	2.7	(16.9)
Adjusted pre UMS losses	2.3a	14.4	5.0	4.1
Weighted average number of shares (thousands)				
Basic		160,271	160,271	160,271
Dilutive potential ordinary shares (share options)		78	49	39
Diluted		160,349	160,320	160,310
Earnings per share (pence)				
Basic		20.2p	9.5p	1.3p
Diluted		20.2p	9.5p	1.3p
Adjusted		**9.0p**	**1.7p**	**(10.5p)**
Adjusted (pre-UMS result)		**9.0p**	**3.1p**	**2.6p**

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

2.4 Adjusted Net Assets and NAV per share

Adjusted NAV as recommended by EPRA excludes the mark to market valuation of swaps, deferred tax liabilities and recognises
all properties at market value. This is the key performance measure that the Board uses to monitor and manage the position of the segments.

a) Adjusted net assets

	Unaudited 30 June 2012		
	Wholly owned £m	Share of JV's £m	Total £m
Investment properties	458.5	368.0	826.5
Completed properties (at market value)	213.8	–	213.8
Rental properties	672.3	368.0	1,040.3
Properties under development (at market value)	228.2	0.1	228.3
Total property portfolio	**900.5**	**368.1**	**1,268.6**
Debt on rental properties (net of cash)	(421.1)	(182.0)	(603.1)
Debt on properties under development	(79.5)	–	(79.5)
	(500.6)	(182.0)	(682.6)
Other assets/(liabilities)	(40.8)	(1.4)	(42.2)
Adjusted net assets	**359.1**	**184.7**	**543.8**
Loan to value (%)	**56**	**49**	**54**

	Unaudited 30 June 2011		
	Wholly owned £m	Share of JV's £m	Total £m
Investment properties	396.8	394.9	791.7
Completed properties (at market value)	122.4	–	122.4
Rental properties	519.2	394.9	914.1
Properties under development (at market value)	202.8	0.2	203.0
Total property portfolio	**722.0**	**395.1**	**1,117.1**
Debt on rental properties (net of cash)	(283.0)	(211.3)	(494.3)
Debt on properties under development	(107.6)	–	(107.6)
	(390.6)	(211.3)	(601.9)
Other assets/(liabilities)	(9.1)	(6.2)	(15.3)
Adjusted net assets	**322.3**	**177.6**	**499.9**
Loan to value (%)	**54**	**53**	**54**

	31 December 2011		
	Wholly owned £m	Share of JV's £m	Total £m
Investment properties	396.2	400.1	796.3
Completed properties (at market value)	220.9	–	220.9
Rental properties	617.1	400.1	1,017.2
Properties under development (at market value)	189.1	0.2	189.3
Total property portfolio	**806.2**	**400.3**	**1,206.5**
Debt on rental properties (net of cash)	(393.7)	(212.1)	(605.8)
Debt on properties under development	(40.3)	–	(40.3)
	(434.0)	(212.1)	(646.1)
Other assets/(liabilities)	(39.9)	(6.0)	(45.9)
Adjusted net assets	**332.3**	**182.2**	**514.5**
Loan to value (%)	**54**	**53**	**54**

b) Reconciliation to IFRS

Adjusted NAV reconciles to NAV reported under IFRS as follows:

	Note	Unaudited 6 months to 30 June 2012 £m	Unaudited 6 months to 30 June 2011 £m	Year to 31 December 2011 £m
Adjusted NAV	2.4a	**543.8**	**499.9**	**514.5**
Mark to market interest rate swaps		(41.3)	(47.5)	(50.5)
Valuation gain not recognised on property held at cost	3.1	(83.4)	(48.5)	(76.1)
Deferred tax		–	(0.1)	(0.3)
Net asset value reported under IFRS attributable to the owners of the parent company		**419.1**	**403.8**	**387.6**

c) NAV per share and Adjusted NAV per share

The Board continuously monitors the adjusted NAV attributable to its shareholders. NAV per share as at 30 June 2012 is calculated as follows:

	Note	Unaudited 6 months to 30 June 2012 £m	Unaudited 6 months to 30 June 2011 £m	Year to 31 December 2011 £m
Net assets				
Basic (as reported under IFRS on the balance sheet)	2.4b	419.1	403.8	387.6
Adjusted pre-dilution (as defined by EPRA)	2.2c	543.8	499.9	514.5
Adjusted diluted (takes into account the dilutive effect of all share options being exercised)		546.1	501.3	516.4
Number of shares (thousands)				
Basic		160,271	160,271	160,271
Outstanding share options		2,724	1,357	2,344
Diluted		162,995	161,628	162,615
Net asset value per share (pence)				
Basic		262p	252p	242p
Adjusted pre dilution		339p	312p	321p
Adjusted diluted		**335p**	**310p**	**318p**

Section 3: Asset management

3.1 Wholly owned property assets

The Group's wholly owned property portfolio is held in three groups on the balance sheet at the carrying values detailed below.
In the Group's adjusted NAV, all these groups are shown at market value.

i) Investment property (fixed assets)

These are assets that were acquired by the Group with the intention to hold the assets for a long period to earn rental income or capital appreciation, prior to establishing The UNITE UK Student Accommodation Fund (USAF). The assets are held at fair value in the balance sheet with changes in fair value taken to the income statement.

ii) Completed properties (current assets)

Following the establishment of USAF in 2006, the Group is required to offer all completed properties which meet certain performance criteria for sale to USAF, and USAF may be required to purchase assets which meet certain conditions. Therefore, all properties constructed and completed after 2006 are held as completed properties in current assets, because these may be sold to USAF. The Group continues to earn rental income and capital appreciation on these assets which are held at cost in the balance sheet.

iii) Properties under development (current assets)

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

The Group also acquires land which it intends to develop. Land is held within inventories until planning permission is obtained, at which point it is transferred to properties under development.

The property portfolio is valued every six months 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, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction where the parties had each acted knowledgeably, prudently and without compulsion. CB Richard Ellis Ltd, Jones Lang LaSalle Ltd and Messrs Knight Frank, Chartered Surveyors were the external valuers in the 6 months ending 30 June 2012 and 2011.

The movements in the carrying value of the Group's wholly owned property portfolio during the 6 months ended 30 June 2012 were
as follows:

Unaudited June 2012

	Investment property £m	Completed property £m	Property under development £m	Total £m
At 1 January 2012	396.2	198.7	135.2	730.1
Acquisitions	56.8	–	–	56.8
Cost capitalised	0.6	0.1	32.4	33.1
Interest capitalised	–	–	4.1	4.1
Disposals	(6.7)	(11.8)	–	(18.5)
Reversal of impairment / (impairment)	–	0.4	(0.5)	(0.1)
Valuation gains	12.8	–	–	12.8
Valuation losses	(1.2)	–	–	(1.2)
Net valuation gains	11.6	–	–	11.6
Carrying value at 30 June 2012	**458.5**	**187.4**	**171.2**	**817.1**

Whilst completed property and property under development are held at cost on the balance sheet, the Group manages the assets based on their market value (fair value). These properties are included in adjusted NAV at their fair value, valued on the same basis as for investment properties, by external valuers. The fair value of the Group's wholly owned properties at 30 June 2012 is as follows:

	Investment property £m	Completed property £m	Property under development £m	Total £m
Carrying value at 30 June 2012 (above)	458.5	187.4	171.2	817.1
Valuation gains not recognised under IFRS but included in Adjusted NAV				
Brought forward	–	22.2	53.9	76.1
Valuation gain in period	–	4.2	3.1	7.3
	–	26.4	57.0	83.4
Carrying value at 30 June 2012	**458.5**	**213.8**	**228.2**	**900.5**

The movements in the carrying value of the Group's wholly owned property portfolio during the 6 months ended 30 June 2011 were as follows:

Unaudited June 2011

	Investment property £m	Completed property £m	Property under development £m	Total £m
At 1 January 2011	375.7	105.1	113.0	593.8
Acquisitions	13.5	–	–	13.5
Cost capitalised	1.0	0.1	59.3	60.4
Interest capitalised	–	–	3.5	3.5
Transfer from work in progress	–	–	1.1	1.1
Disposals	–	–	(7.9)	(7.9)
Impairment	–	1.4	1.1	2.5
Valuation gains	11.4	–	–	11.4
Valuation losses	(4.8)	–	–	(4.8)
Net valuation gains	6.6	–	–	6.6
Carrying value at 30 June 2011	**396.8**	**106.6**	**170.1**	**673.5**

The fair value of the Group's wholly owned property portfolio at 30 June 2011 is as follows:

	Investment property £m	Completed property £m	Property under development £m	Total £m
Carrying value at 30 June 2011 (above)	396.8	106.6	170.1	673.5
Valuation gains not recognised under IFRS but included in Adjusted NAV				
Brought forward	–	12.3	24.8	37.1
Valuation gain in period	–	3.5	7.9	11.4
	–	15.8	32.7	48.5
Market value at 30 June 2011	**396.8**	**122.4**	**202.8**	**722.0**

December 2011

	Investment property £m	Completed property £m	Property under development £m	Total £m
At 1 January 2011	375.7	105.1	113.0	593.8
Acquisitions	13.5	–	–	13.5
Cost capitalised	5.2	0.2	112.6	118.0
Interest capitalised	–	–	7.1	7.1
Transfer from property under development	–	92.1	(92.1)	–
Transfer from work in progress	–	–	1.1	1.1
Disposals	(5.9)	–	(7.9)	(13.8)
Reversal of impairment	–	1.3	1.4	2.7
Valuation gains	13.5	–	–	13.5
Valuation losses	(5.8)	–	–	(5.8)
Net valuation gains	7.7	–	–	7.7
Carrying value at 31 December 2011	**396.2**	**198.7**	**135.2**	**730.1**

The fair value of the Group's wholly owned properties at 31 December 2011 is as follows:

	Investment property £m	Completed property £m	Property under development £m	Total £m
Carrying value at 31 December 2011 (above)	396.2	198.7	135.2	730.1
Valuation gains not recognised under IFRS but included in Adjusted NAV				
Brought forward	–	12.3	24.8	37.1
Transfer from property under development	–	8.3	(8.3)	–
Valuation gain in year	–	1.6	37.4	39.0
	–	22.2	53.9	76.1
Market value at 31 December 2011	**396.2**	**220.9**	**189.1**	**806.2**

3.2 Inventories

	Unaudited 6 months to 30 June 2012 £m	Unaudited 6 months to 30 June 2011 £m	Year to 31 December 2011 £m
Modules for sale to third parties or joint ventures	–	–	1.0
Interests in land	2.7	1.3	1.4
Other stocks	4.1	2.2	6.0
Inventories	**6.8**	**3.5**	**8.4**

3.3 Investments in joint ventures

The Group has three joint ventures:

Joint venture	Group's share of assets/results all periods	Objective	Partner	Legal entity in which Group has interest
The UNITE UK Student Accommodation Fund (USAF)	18.9%*	Invest and operate student accommodation throughout the UK	Consortium of investors	UNITE Student Accommodation Fund, a Jersey Unit Trust
UNITE Capital Cities (UCC)	30%	Develop and operate student accommodation in the capital cities of London and Edinburgh	GIC Real Estate Pte, Ltd Real estate investment vehicle of the Government of Singapore	UNITE Capital Cities Unit Trust, incorporated in Jersey
OCB Property Holdings (OCB)	25%	Develop and operate three investment properties located in London	Oasis Capital Bank	OCB Property Holdings (Jersey) Ltd, incorporated in Jersey

* Part of the Group's interest is held through a subsidiary, USAF (Feeder) Guernsey Ltd, in which there is an external investor. A minority interest therefore occurs on consolidation of the Group's results representing the external investor's share of profits and assets relating to its investment in USAF. The ordinary shareholders of The UNITE Group plc are beneficially interested in 16.3% (2011: 16.3%) of USAF.

On 18 January 2012 the Group acquired the remaining 49% of the share capital in UNITE Student Village (USV) for £2.4 million and discharged shareholder loans amounting to £3.8 million. The payment of these amounts is deferred until 31 October 2012.

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 £8.5 million during the 6 months ended 30 June 2012 (30 June 2011: £7.4 million), resulting in an overall carrying value of £181.5 million (30 June 2011: £169.0 million). The following table shows how the increase has been achieved.

	Unaudited 30 June 2012			Unaudited 30 June 2011		
	Investment in joint venture £m	Joint venture investment loan £m	Total interest £m	Investment in joint venture £m	Joint venture investment loan £m	Total interest £m
Recognised in the income statement:						
Net portfolio contribution (NPC)	6.1	–	6.1	4.7	–	4.7
Minority interest share of NPC	0.7	–	0.7	0.7	–	0.7
Management fee adjustment related to trading with joint venture	1.2	–	1.2	1.1	–	1.1
Net revaluation gains	6.3	–	6.3	3.9	–	3.9
Deferred tax	0.4	–	0.4	0.4	–	0.4
Discount on interest free loans	(0.4)	0.4	–	(0.4)	0.4	–
Loss on cancellation of interest rate swaps	(0.3)	–	(0.3)	–	–	–
Landsbanki cash received	2.5	–	2.5	–	–	–
Profit on disposal of investment property	0.3	–	0.3	–	–	–
Other	0.1	–	0.1	–	–	–
	16.9	0.4	17.3	10.4	0.4	10.8
Recognised in equity:						
Movement in effective hedges	1.5	–	1.5	0.9	–	0.9
Deferred tax on movement in effective hedges	(0.1)	–	(0.1)	(0.1)	–	(0.1)
Other adjustments to the carrying value:						
Profit adjustment related to trading with joint venture	(1.2)	0.1	(1.1)	(1.2)	0.1	(1.1)
Acquisition of remaining 49% in USV	(3.8)	(3.9)	(7.7)	–	–	–
Distributions received	(4.8)	–	(4.8)	(2.6)	–	(2.6)
Increase in carrying value	**8.5**	**(3.4)**	**5.1**	**7.4**	**0.5**	**7.9**
Carrying value at 1 January	173.0	14.1	187.1	161.6	13.2	174.8
Carrying value at 30 June	**181.5**	**10.7**	**192.2**	**169.0**	**13.7**	**182.7**

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

	31 December 2011		
	Investment in joint venture £m	Joint venture investment loan £m	Total interest £m
Recognised in the income statement:			
Net portfolio contribution (NPC)	8.9	–	8.9
Minority interest share of NPC	1.2	–	1.2
Asset management fee trading with joint venture adjustment	2.2	–	2.2
Net revaluation gains	10.7	–	10.7
Deferred tax	0.3	–	0.3
Discount on interest free loans	(0.7)	0.7	–
Loss on cancellation of interest rate swaps	(0.4)	–	(0.4)
Ineffective swaps	0.4	–	0.4
	22.6	0.7	23.3
Recognised in equity:			
Movement in effective hedges	0.3	–	0.3
Deferred tax on movement in effective hedges	(0.2)	–	(0.2)
Other adjustments to the carrying value:			
Profit adjustment related to trading with joint venture	(2.4)	0.2	(2.2)
Distributions received	(8.9)	–	(8.9)
Increase in carrying value	11.4	0.9	12.3
Carrying value at 1 January	161.6	13.2	174.8
Carrying value at 31 December	173.0	14.1	187.1

Section 4: Funding

4.1 Borrowings

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

	Unaudited 6 months to 30 June 2012 £m	Unaudited 6 months to 30 June 2011 £m	Year to 31 December 2011 £m
Current			
In one year or less, or on demand	95.9	0.3	29.2
Non-current			
In more than one year but not more than two years	140.4	240.0	251.9
In more than two years but not more than five years	141.9	148.0	140.4
In more than five years	143.3	29.1	29.2
	425.6	417.1	421.5
Total borrowings	**521.5**	**417.4**	**450.7**

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 2012 £m	Unaudited 6 months to 30 June 2011 £m	Year to 31 December 2011 £m
Current	–	0.1	–
Non-current	31.3	36.1	39.0
Fair value of interest rate swaps	31.3	36.2	39.0

4.3 Dividends

During the 6 months to 30 June 2012, the Company declared and paid a final dividend of £2.0 million (2011: £nil). After the period end, the Directors proposed an interim dividend of 1.0p per share (2011: 0.5p 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 2012 which comprises of 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 explanatory notes. 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 the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ('the DTR') of the UK's Financial Services Authority ('the UK FSA'). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 reached.

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 DTR of the UK FSA.

As disclosed in section 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

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 UK. A review of interim financial information consists of making enquiries, 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 2012 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

W Meredith for and on behalf of KPMG Audit Plc

Chartered Accountants
15 Canada Square, London, E14 5GL

30 August 2012