29 August 2013

THE UNITE GROUP PLC

2013 INTERIMS RESULTS

FOCUS ON SERVICE AND QUALITY, UNDERPINNED BY A SOUND CAPITAL STRUCTURE AND ONGOING INVESTMENT IN OUR ESTATE, CONTINUES TO DRIVE GROWTH

The UNITE Group plc ("UNITE" or the "Company"), the UK's leading developer and manager of student accommodation, today announces its half year results for the six months to 30 June 2013.

HIGHLIGHTS

Continued strong financial performance built around high levels of service

- Adjusted earnings per share of 9.3 pence (June 2012: 9.0 pence)
- Like for like rental growth for the six months since December 2012 of 1.2% and recurring profit from operations (Net Portfolio Contribution) up 12.5% to £16.2 million from £14.4 million in June 2012
- Adjusted NAV per share up 3.1% to 361 pence (Dec 2012: 350 pence), equating to a total return on opening NAV of 4.0% for the six months after taking into account the June share placing
- Service satisfaction at highest ever levels
- Strengthening of debt capital base following successful USAF refinancing – see through cost of debt reduced to 5.3%, weighted average loan maturity increased to 5 years and see through loan-to-value ratio reduced to 48% (Dec 2012: 52%)
- Growth in shareholder returns: interim dividend increased to 1.6 pence per share (2012 interim: 1.0 pence)

Well positioned for ongoing growth

- Income growth supported by high demand
  - Reservations for 2013/14 academic year at 90% (2012: 87%), supportive of rental growth of 3% for the full year and expect to target similar levels in 2014.
- Further growth supported by attractive development pipeline
  - Secured development pipeline on track to add 24 pence per share to NAV and 9 pence per share to earnings by 2016 if expected returns are achieved
  - Equity funding in place for further £215m development programme (UNITE share of capex) in addition to secured pipeline, which could add a further 35-40 pence per share to NAV and 7-8 pence to earnings by 2018 if expected returns are achieved.
- LSAV development pipeline on-track and expected returns are in-line with expectations. First regional projects to be funded from proceeds of placing expected to be secured by end of year.

Mark Allan, Chief Executive commented:

"The business has continued to perform strongly in 2013 with solid growth in earnings and NAV and healthy demand for accommodation for the 2013/14 University year. We expect this positive performance to be sustained for the full year and the rental growth outlook for the remainder of 2013 and into 2014 is encouraging.

"Longer term, the business is well positioned for continued growth in earnings and NAV. The demand/supply dynamics of our sector remain supportive, our competitive position and brand are strong and we have capital available to invest selectively in attractive opportunities."

Presentation

There will be a presentation for analysts this morning at 9:30am. The live webcast will be available at:

http://webcasts.unite-group.co.uk/unite006/default.asp

Please contact Bell Pottinger for further details.

Dial-in number for the presentation: +44 20 3059 8125

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Overview

The business has continued to perform strongly in 2013, maintaining the positive momentum of recent years. Earnings continued to increase, with Net Portfolio Contribution for the six months up 12.5% to £16.2 million (2012: £14.4 million) and EPRA adjusted EPS of 9.3 pence (2012: 9.0 pence). Cash conversion was again healthy, with cash flow from operations of £14.0 million (2012: £13.9 million). EPRA adjusted NAV per share increased 3.1% to 361 pence from 350 pence in December 2012 and including dividends paid this equates to a total return on equity of 4.0% for the six months, after absorbing the impact of the share placing in June (3 pence per share). We are also declaring an interim dividend of 1.6 pence per share (2012: 1.0 pence per share).

Our key financial performance indicators are set out below.

Financial highlights	6 months to 30 June 2013	6 months to 30 June 2012	Year to 31 Dec 2012
Net Portfolio Contribution	£16.2m	£14.4m	£19.1m
Adjusted earnings per share	9.3p	9.0p	9.9p
NAV (adjusted, fully diluted)	361p	335p	350p
Dividend	1.6pps	1.0pps	4.0pps
Net operating income (NOI)	£44.1m	£42.4m	£79.1m
Total return on NAV	4.0%	5.7%	11.3%
See through LTV ratio	48%	54%	52%
Operations cashflow	£14.0m	£13.9m	£17.2m

This strong financial performance was again built around high levels of customer service. As a result of the efforts of our teams within the business and ongoing investment in our estate and operating platform, our independently assessed customer satisfaction scores have again increased to their highest-ever levels and we are seeing increasing evidence of our brand strength translating into clear competitive advantage. We will be seeking to build on this further in the months and years ahead.

In June we raised £50 million, net of expenses, through a successful placing of new shares at a price of 320 pence per share. The proceeds of this placing will be used to fund a highly selective regional development programme, where we see very attractive opportunities, alongside the ongoing London development activity being undertaken through our LSAV joint venture. We already have a healthy secured development pipeline, worth an expected £340 million on completion (UNITE share) and following the placing we now have equity capital available to fund a further £215 million of development activity over the next three years which will be split roughly equally between London and the regions. Both the secured and potential development pipeline will add substantially to earnings and NAV over the coming years; we continue to achieve yields on cost in the range of 9% to 10% and development margins are well in excess of 30%.

Alongside the successful share placing we have also continued to strengthen our debt capital base, most notably through raising a 10 year £405 million secured bond in USAF at an annual cost of 3.4% that was used to repay more expensive, less flexible borrowings. This has helped to reduce the Group's see through cost of debt further (to 5.3%), increase our weighted average loan maturity (to 5 years) and diversify our sources of debt finance. Opportunities remain to improve the cost and maturity profile of our borrowings further.

Student numbers in the UK, the key driver of demand for our properties, appear to be recovering strongly after disruption in the 2012/13 University year as a result of various Government policy changes; all our local markets are benefitting from a stronger outlook than a year ago. We expect the 2013/14 student intake to be at least 30,000 higher than 2012/13, an increase of 6%, and with limited new supply of accommodation in most areas of the UK this should translate into high occupancy and robust rental growth. As at 28 August reservations for 2013/14 stood at 90% compared to 87% last year and are supportive of rental growth of 3% for the full year.

The improved stability in student number outlook also appears to be contributing to a greater level of interest in the investment market for student accommodation, both for direct let assets and those subject to University agreements. Events such as the administration of Opal, which has led to approximately £900 million of assets coming to the market, are improving the availability of stock and investor interest appears to be strong from a diverse range of sources. We expect a number of transactions to complete later in 2013 and provide helpful yield evidence.

Given these encouraging developments and a desire to simplify our corporate structure we are seeking to realise our investment in the OCB joint venture alongside our joint venture partner, OCB, through a sale of the joint venture's three London properties. We are aiming to conclude a sale within the next six months and intend to use our share of proceeds to increase our stake in UCC, thereby avoiding any dilution to earnings or the proportion of our capital invested in London.

Following a period of consistent strong performance the Group is still well placed for sustained growth in the years ahead. We continue to target average annual low double digit total returns on equity with a particular focus on growing recurring earnings. We are aiming for a 4.5% EPS yield on opening NAV by 2015, implying growth in earnings of approximately 75% over 2012 performance. Our positive growth outlook is based on three key factors:

- The demand/supply imbalance in the student accommodation sector remains supportive of structural rental growth. We are on track to achieve like for like rental growth of 3% for 2013 and will target growth at similar levels in 2014.
- Our development programme is expected to be significantly accretive to earnings and NAV. Our target yield on cost of 9%-plus compares to current investment yields of 6.6% and marginal borrowing costs of 4-4.5%.
- Our operating platform is lean, following a series of efficiency initiatives in recent years, and scalable. More properties can be added to our portfolio without increasing overheads.

With the student accommodation market returning to strength after the disruption of 2012/13, a strong operating platform, high quality investment and development portfolio and sustainable capital structure in place, we look forward to the future with continued confidence.

Operations review

Sales, rental growth and profitability

In the first six months of 2013 our continued improved performance delivered an increase in NPC of £1.8 million to £16.2 million compared to last year (June 2012: £14.4 million). This growth has been driven by high occupancy, rental growth and the impact of portfolio movements as well as operational efficiencies and continued cost vigilance. Adjusted profit increased by £0.8 million to £15.2 million or 9.3 pence per share (June 2012: £14.4 million, 9.0 pence per share) compared to 2012 (which was enhanced by the recovery of £2.5 million of Landsbanki deposits, equivalent to 1.7 pence per share).

Summary profit and loss account	6 months to 30 June 2013 £m	6 months to 30 June 2012 £m	Year to 31 Dec 2012 £m
Total income from managed portfolio	122.6	124.1	240.2
UNITE's share of rental income	58.3	56.7	111.4
UNITE's share of operating costs	(14.2)	(14.3)	(32.3)
Net operating income (NOI)	44.1	42.4	79.1
NOI margin	*75.6%*	*74.8%*	*71.0%*
Management fee income	5.2	5.0	10.3
Operating expense	(8.4)	(10.3)	(21.8)
Finance costs	(24.7)	(22.7)	(48.5)
Net portfolio contribution	**16.2**	**14.4**	**19.1**
Development pre-contract / share option and other costs	(1.0)	-	(3.2)
Adjusted profit	**15.2**	**14.4**	**15.9**
NPC per share	9.9p	9.0p	11.9p
Adjusted EPS	9.3p	9.0p	9.9p
EPS yield (on opening adjusted NAV)	2.7%	2.9%	3.1%

The Group's NOI margin increased to 75.6% from 74.8% (June 2012) as further cost savings were delivered and our increasing use of mobile technology yielded productivity gains. Overheads reduced by 18% to £8.4 million as a result of the full year impact of efficiency savings flowing through and our key overhead efficiency measure (total operating expenses less management fees as a proportion of UNITE's share of investment asset value) has also benefitted from these efficiencies, having now fallen on an annualised basis to 55 bps for the six months (June 2012: 113 bps), inside our target of 60 bps. This will increase marginally when we exit our OCB joint venture and we therefore intend to maintain 60 bps as our ongoing target.

Reservations and rental growth

Reservations for the 2013/14 academic year continue to be encouraging. At 28 August 2013 reservations across UNITE's portfolio stood at 90% compared to 87% at the same point in 2012. We have seen increases in demand across all segments and locations; University contracts, re-bookers, UK and international bookings have all increased year on year, underpinning our expectation that total student numbers will be at least 30,000 higher than in the 2012/13 academic year. All cities where we operate are tracking positively year on year in terms of reservations.

Based on this reservations performance we are confident of achieving like for like rental growth of 3% for the full year. Furthermore, at this early stage, the outlook for 2014 is encouraging and we expect to target similar levels of rental growth again.

Student numbers

The final figures for 2013/14 applications from UCAS showed that applications were up by 3.1% compared to last year, equivalent to approximately 20,500 more applicants. Applications from EU Students were up 4.3%, non-EU applicants increased 6.0% and applications from UK students were up 2.7%. This increase in applications is also reflected in an increase in confirmed University places of 6.5% year-on-year as at 27 August (27,500 places) with an increase in unconditional offers being another key factor.

This positive year on year trend suggests that the impact of increased tuition fees is being absorbed and that the various changes to the University admissions process for 2013/14 have had the desired positive effect in ensuring that available University places are filled. Although the final out-turn will not be known until late 2013 we believe the performance to date indicates an increase in intake of at least 30,000 students over 2012, ahead of our previous estimate of 25,000 to 30,000. We expect this to translate into high occupancy and, together with modest levels of new supply, support our 3% rental growth expectations for 2013 and 2014.

Operations outlook

Our Operations business has continued its strong performance against all key measures during 2013. High occupancy, consistent rental growth and new openings, combined with the successful implementation of cost efficiencies, continue to drive sustainable profit growth. Based on performance year-to-date, we expect Net Portfolio Contribution to be ahead of plan for the full year and although non-NPC costs, primarily pre-contract development costs, will increase as a result of our higher level of development activity, we also expect adjusted earnings per share to show similarly positive performance.

For the longer term, we are continuing to invest in improving our operating platform to increase our brand strength and competitive advantage. As part of a clear estate enhancement programme we have now completed the installation of WiFi across all our properties and have appointed a partner to install LED lighting across our portfolio over the next two years, which will reduce our operating costs and carbon footprint while further improving students' experience of living with us.

Property review

NAV growth

Adjusted NAV increased by £77 million to £644 million or 361 pence per share (on a fully diluted basis) at 30 June 2013, up from £567 million or 350 pence per share at 31 December 2012.

The main factors behind the growth in adjusted NAV per share were:

- The growth in the value of the Group's share of investment assets, primarily as a result of rental growth (+7 pence)
- The value added to the development portfolio (+8 pence)
- Asset specific write-downs, relating primarily to our legacy NHS assets which are to be sold this year (-2 pence)

- The impact of swap breakage costs (-4 pence) related to the USAF bond and other refinancing activity
- The positive impact of retained profits after dividends (+5 pence)
- The impact of the £50 million equity issue in June (-3 pence)

We expect growth in NAV per share to be higher in the second half of the year as a result of further rental growth (a greater proportion is typically booked towards the end of the annual lettings cycle) and continued progress with our development pipeline.

Property portfolio

The valuation of our property portfolio at 30 June 2013, including our share of gross assets held in USAF and joint ventures, was £1,299 million (31 December 2012: £1,245 million). The £54 million increase in portfolio value was attributable to £33 million of capital expenditure and £27 million of valuation increases less disposals completed of £6 million. The valuation of the investment portfolio increased by 1.2% on a like-for-like basis over the six months, reflecting rental growth. Yields were stable at an average 6.6%.

Summary balance sheet

	30 June 2013			**30 June 2012**			**31 December 2012**		
	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	766	403	1,169	673	368	1,041	763	399	1,162
Properties under development	117	13	130	228	-	228	83	-	83
	883	416	1,299	901	368	1,269	846	399	1,245
Debt on rental properties (net of cash)	(425)	(194)	(619)	(421)	(182)	(603)	(453)	(195)	(648)
Debt on properties under development	-	-	-	(80)	-	(80)	-	-	-
	(425)	(194)	(619)	(501)	(182)	(683)	(453)	(195)	(648)

Other assets / (liabilities)	(20)	(16)	(36)	(41)	(1)	(42)	(23)	(7)	(30)
Adjusted net assets	**438**	**206**	**644**	**359**	**185**	**544**	**370**	**197**	**567**

The proportion of our property portfolio that is income generating decreased to 90% from 93% at December 2012, with 10% now under development as we make progress with our 2014 and 2015 development programme. The development weighting will continue to increase over the next year as our activity in this area accelerates and non-core investment assets are sold. We expect the development weighting to peak at approximately 20% in 2015.

The portfolio is split relatively evenly between London and the rest of the UK, with 41% of rental properties being in London, increasing to around 50% once the secured pipeline is built out. Following the successful share placing in June our planned development activity will also be split broadly equally between London (where we are targeting yields on cost of 9%) and the regions (where we target 9.5-10% yields on cost).

Student accommodation yields

Yields for student accommodation assets have remained stable over the first half of the year and transaction volumes have been steady. We expect recent events such as the administration of Opal in March to lead to increased activity over the remainder of the year and we are seeing clear signs of strong investor interest in the sector from a broad range of sources, both UK and overseas. This indicative demand extends to high quality direct let student accommodation as well as leased assets, both in London and the regions. As transactions complete they will provide helpful, and potentially positive, yield evidence.

Development activity

Our development strategy for the next three to four years is clear. We will invest approximately £100 million capital expenditure per annum (UNITE share) in new projects, split broadly equally between London and strong regional locations. Our London activity (for 2015 completions onwards) is being undertaken through our LSAV joint venture with GIC, in which we have a 50% stake, while our regional development will be undertaken on balance sheet. It is our intention to retain our investment in the vast majority of these development projects post completion, thereby capturing significant earnings accretion as well as NAV upside.

We made good progress with our development activity in the first half as follows:

Wholly owned 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	%
London								
2014 completions								
Stratford	London	1,001	102	64	13	32	4	9.1%
St Pancras Way	London	571	83	59	6	22	11	9.7%
Total London (wholly owned)		**1,572**	**185**	**123**	**19**	**54**	**15**	**9.4%**
Regional								
2014 completions								
Kingsmill Lane	Huddersfield	378	18	14	3	11	3	10.1%
2015 completions								
Trenchard Street	Bristol	481	35	26	1	25	3	9.8%
Total Regional (wholly owned)		**859**	**53**	**40**	**4**	**36**	**6**	**9.9%**
Total (wholly owned)		**2,431**	**238**	**163**	**23**	**90**	**21**	**9.5%**

Work on our wholly owned development projects for 2014 and 2015 completion proceeds in line with plan. Once complete and let, we expect these projects to add 12 pence per share to NAV and 6 pence per share to earnings.

Following the successful share placing in June we have equity capital available to commit to a further £125 million investment in a highly select number of regional locations supported by strong demand/supply dynamics. We are targeting yields on cost in the range of 9.5-10% and if our return expectations are met this investment programme could add a further 20-25 pence per share to NAV and 4-5 pence per share to earnings.

We are making good progress with our target regional development pipeline and expect to have our first projects secured by the end of the year. We expect to have the full target regional development pipeline secured by the end of 2014.

LSAV 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	%
LSAV								
2015 completions								
Angel Lane	London	759	82	55	17	38	18	9.2%
2016 completions								
Stapleton House	London	943	123	97	0	97	25	8.7%
Total LSAV		1,702	205	152	17	135	43	8.9%
UNITE Share			**102**	**76**	**8**	**67**	**22**	**8.9%**

Within LSAV, two schemes have now been secured; in Stratford and in Islington. Angel Lane, Stratford has full planning consent and is due to start on site later this year for completion in 2015. Stapleton House in Islington is expected to obtain planning consent by early 2014 and start on site shortly thereafter for a 2016 delivery. Bank financing has been agreed for both schemes. A third scheme is under lock-out and expected to be contractually secured in the near future.

Together, these three schemes would represent over 60% of LSAV's total target development pipeline and all have been secured at returns in line with our target levels. We are seeing competition for sites intensify in London, but are confident that the remainder of the pipeline will be secured in line with our target returns.

Our equity contribution to future LSAV development projects will be substantially met from existing resources and the proceeds of the agreed forward sale by UNITE of its Stratford development scheme upon completion. It is therefore effectively fully funded. We expect all LSAV development projects to be secured by mid 2014 and completed by 2017. The secured LSAV pipeline will add 12 pence to share to NAV and 3 pence per share to earnings if target returns are achieved while the remaining target projects, of which UNITE's share of capital expenditure would be approximately £90 million, could add approximately a further 15 pence per share to NAV and 3 pence per share to earnings if return expectations are met.

Asset disposals

Our non-core asset disposal activity is progressing broadly in line with expectations. We have a full year target of sales totalling approximately £100 million (both from our own balance sheet and on behalf of co-investment vehicles). We have completed sales of £19 million to date, and accepted offers on a further £24 million of assets. Values achieved or indicated for our student accommodation assets are supportive of book values, although we expect to book a loss of approximately £4 million on the sale of legacy NHS key worker accommodation, which represents approximately £25 million proceeds of the £43 million of assets completed and under offer. An appropriate write-down has been reflected in the 30 June valuation. Following the sale of these NHS assets our portfolio will comprise exclusively student accommodation properties.

Total asset sales in year to date	Proceeds £m	Book value £m
Completed / exchanged		
Wholly owned (WO)	12.2	12.8
USAF	7.0	7.1
Total	**19.2**	**19.9**
Under offer		
Wholly owned	24.3	27.4
Total	**24.3**	**27.4**
Total	**43.5**	**47.3**

Financial performance

Income statement

NPC and Adjusted Earnings are the key performance measures for the Group. The detail of this performance is set out in the Operations Review section of this report. The following table shows the further elements that are included within the International Financial Reporting Standards profit before tax measure.

	30 June 2013 £m	30 June 2012 £m	31 Dec 2012 £m
Net portfolio contribution	**16.2**	**14.4**	**19.1**
Adjusted profit	15.2	14.4	15.9
Valuation gains and profit/loss on disposal	20.5	16.0	58.0
Transfer of stock properties to investment assets	-	-	49.7
Changes in valuation of interest rate swaps	1.0	1.6	0.8
Minority interest and tax adjustments	0.8	1.5	1.8
Profit before tax	**37.5**	**33.5**	**126.2**
NPC per share	9.9p	9.0p	11.9p
Adjusted earnings per share	9.3p	9.0p	9.9p

Adjusted profit of £15.2 million for the six months to June 2013 (2012: £14.4 million) is stated after deducting tax charges, share option costs and abortive/pre-contract development spend. In 2012, adjusted profit also included a receipt of £2.5 million of Landsbanki deposits, and therefore on a recurring basis was £11.9 million or 7.3 pence per share.

A full reconciliation of NPC to Adjusted Profit and our Reported Profit before Tax is given in Section 2 of the financial statements.

Tax

The Group has built up a significant amount of brought forward tax losses and capital allowances, primarily as a result of the high volume of development activity it has undertaken over the last ten years. Deferred tax assets of £15 million have not been recognised in the Group's balance sheet due to the uncertainty of future profits and the ability to offset these against them.

Brought forward losses and allowances may be used against future taxable profits as they arise depending on meeting certain conditions.

Cash flow and net debt

The Operations business has generated £14.0 million of net cash in the six months to June 2013 (June 2012: £13.9 million) and see through net debt was reduced to £619 million (31 December 2012: £648 million). The key components of the movement in net debt were the share placing, operational cashflow and the disposal programme (generating total inflows of £62 million on a see through basis) offset by total capital expenditure of £33 million.

Dividend

We are declaring an interim dividend payment of 1.6 pence per share, (2012: 1.0 pence) and for the full year we intend to maintain our dividend payout ratio at 1/3 of NPC (NPC being a proxy for cash generation in the business).

The dividend will be paid on 8 November 2013 to shareholders on the register at close of business on 11 October 2013.

Share placing

We completed a placing of 16 million new ordinary shares in June at a price of 320 pence per share, raising net proceeds of £50 million. The proceeds will be used to fund a highly targeted regional development programme totalling approximately 2,500 beds. We expect capital to be allocated to projects by the end of 2014 and for those projects to be completed by 2017.

The placing has reduced NAV at 30 June by 3 pence per share due to the additional number of shares in issue. This modest NAV dilution is expected to unwind in 2014 and become substantially accretive from 2015 as profitable new developments are delivered. From an EPS perspective, the impact across 2013 should be broadly neutral as the placing proceeds have been immediately deployed to reduce debt levels on revolving facilities, thereby saving interest costs.

Debt financing

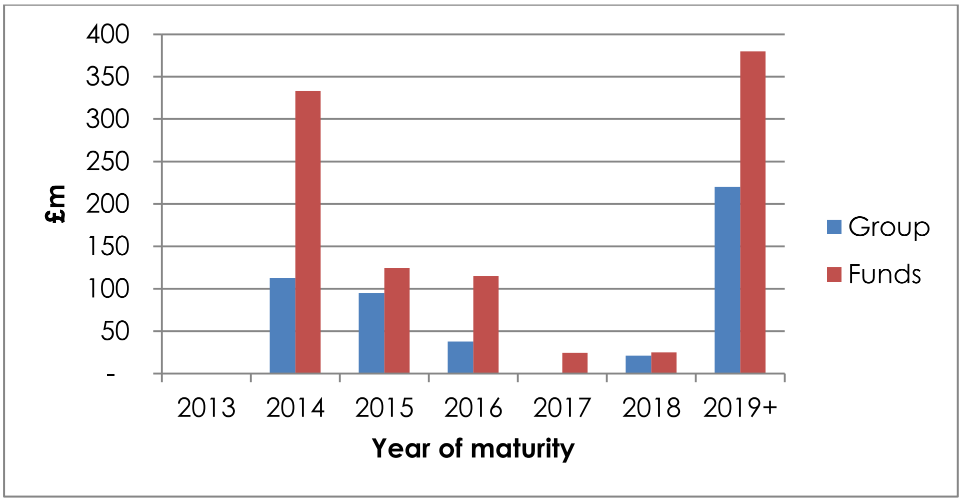
During the period we have maintained our focus on controlling gearing levels, extending debt maturities and reducing financing costs and have had some important successes. We expect continued progress over the next 6 to 12 months.

Key debt statistics	30 June 2013	30 June 2012	31 Dec 2012
See through net debt	£619m	£683m	£648m
See through LTV	48%	54%	52%
See through average debt maturity	5 years	3 years	4 years
See through average cost of debt	5.3%	5.5%	5.5%
Proportion of investment debt hedged	84%	89%	88%

The Group’s see through LTV reduced to 48% at 30 June 2013 from 52% at the end of 2012. We will continue to manage our gearing proactively and intend to maintain see through LTV at or below 50%. In the event that we experience yield compression in property values from current levels we will review our target LTV threshold accordingly.

We continued to make good progress extending, diversifying and reducing debt facilities during the period. Most notably, we arranged a new £405 million facility for USAF, comprising a £380 million 10 year bond at a fixed rate of 3.4% and a £25 million revolving credit facility. This debt replaced two facilities expiring in the next 12 months and contributed to the reduction in the Group's average cost of debt to 5.3% (31 December 2012: 5.5%) and the increase in the weighted average loan maturity to 5 years (31 December 2012: 4 years).

Debt Maturity



Covenant headroom

We are in full compliance with all of our borrowing covenants at 30 June 2013. Our debt facilities include loan to value and interest cover covenants that are measured at individual portfolio level and we have maintained significant headroom against both measures. The weighted LTV across facilities of 33% against a weighted covenant of 72%, provides headroom for property against values to fall by over 50% before a breach would occur (using surplus cash to pay down facilities). The interest cover ratio is 3.8 times against the covenant level of 1.4 times, again providing significant headroom. Covenant headroom will reduce as surplus capital is deployed into new development opportunities but we will still maintain substantial headroom against all covenants.

Interest rate hedging arrangements and cost of debt

Our see through cost of debt has reduced to 5.3% (2012: 5.5%), primarily as a result of the USAF bond. Further reductions in the cost of debt are anticipated as a result of the further refinancing activity planned over the next 6-12 months and as expensive interest rate swaps expire or are cancelled.

The Group now has 84% of its see through investment debt that has a fixed interest rate (31 December: 89%). As planned and previously communicated, the Group has cancelled certain interest rate swaps in the first half of the year as part of its refinancing activity, resulting in a charge of £7.3 million (2012: £5.4 million). We expect further break costs of between £8 million and £12 million (4-7pps) to be incurred as our refinancing programme is concluded over the next twelve months, taking advantage of the ongoing low interest rate environment. Approximately £3-4 million of this charge is likely to be incurred in the second half of 2013, making a total charge of £10-11 million (5-6pps) for the full year, in line with previous guidance.

Funds and joint ventures

UNITE acts as co-investing manager of four specialist student accommodation vehicles that it established. The table below summarises the key financials for each vehicle:

Vehicle	Property Assets £'m	Net debt £'m	Other assets £'m	Adjusted NAV £'m	UNITE share of adjusted NAV £'m	Adjusted LTV	Maturity	UNITE share
USAF	1,327	(575)	(20)	732	120	43%	Infinite	16%
UCC	388	(213)	(9)	166	50	55%	2022	30%
LSAV	77	(22)	(19)	36	18	29%	2022	50%
OCB	175	(99)	(3)	73	18	57%	2014	25%

All co-investment vehicles performed well in the six months to 30 June, broadly in line with overall Group performance.

We have taken the decision to realise our investment in the OCB joint venture, which matures in August 2014, alongside OCB as our joint venture partner. This will be achieved by way of a sale of the joint venture's three assets over the next six months and we intend to invest our share of proceeds to increase our stake in our UCC joint venture with GIC towards 50%. This will allow us to maintain our level of London exposure, avoid earnings dilution and help trigger the automatic merger of UCC and LSAV into a single entity. Once this outcome has been achieved the number of indirect vehicles we manage will reduce from four to two, contributing to a significant simplification of the Group's balance sheet.

Outlook

UNITE has performed strongly in recent years and is well placed for further growth over the coming years:

- The demand/supply imbalance in the sector remains supportive of structural rental growth in strong University locations where UNITE is well represented. We are confident of achieving 3% growth for the full year and are targeting similar levels for 2014.
- The Group has a fully funded development programme targeting a select number of strong University locations. With land and construction prices still relatively depressed, we are confident of achieving very attractive returns that will add meaningfully to NAV and earnings in the coming years.
- We have a modern, efficient and scalable operating platform, meaning that we can add further bedrooms to our portfolio without increasing overhead. As a result, profits will grow more rapidly than revenues as our portfolio grows.

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 Chief Executive Officer	Joe Lister Chief Financial Officer

29 August 2013

Consolidated income statement

For the 6 months to 30 June 2013

	Note	Unaudited 6 months to 30 June 2013 Total £m	Unaudited 6 months to 30 June 2012 Total £m	Year to 31 December 2012 Total £m
Revenue	2.4	**47.6**	**65.7**	**214.6**
Cost of sales		(18.2)	(38.7)	(145.2)
Operating expenses		(9.1)	(12.3)	(28.0)
Results from operating activities		20.3	14.7	41.4
Loss on disposal of property		(1.1)	(1.0)	(2.4)
Net valuation gains on property	3.1	12.8	11.6	29.8
Valuation gains recognised on transfer	3.1	–	–	49.7
Profit before net financing income / (costs)		**32.0**	**25.3**	**118.5**
Loan interest and similar charges		(9.7)	(5.3)	(16.0)
Mark to market changes in interest rate swaps		0.5	(3.9)	(7.6)
Finance costs		(9.2)	(9.2)	(23.6)
Finance income		11.7	0.5	1.0
Net financing income / (costs)		**2.5**	**(8.7)**	**(22.6)**
Share of joint venture profit	3.3a	3.0	16.9	30.3
Profit before tax	2.2a	**37.5**	**33.5**	**126.2**
Tax		0.4	–	1.0
Profit for the period		**37.9**	**33.5**	**127.2**
Profit for the period attributable to				
Owners of the parent company	2.2b	37.4	32.5	125.6
Minority interest		0.5	1.0	1.6
		37.9	33.5	127.2
Earnings per share				
Basic	2.2b	23.0p	20.1p	77.7p
Diluted	2.2b	23.0p	20.1p	77.7p

Consolidated statement of comprehensive income

For the 6 months to 30 June 2013

	Unaudited 6 months to 30 June 2013 £m	Unaudited 6 months to 30 June 2012 £m	Year to 31 December 2012 £m
Profit for the period	**37.9**	**33.5**	**127.2**
Movements in effective hedges	0.3	0.5	0.6
Gains on hedging instruments transferred to income statement	–	–	2.5
Share of joint venture movements in effective hedges	2.4	1.0	2.7
Other comprehensive income for the period	2.7	1.5	5.8
Total comprehensive income for the period	**40.6**	**35.0**	**133.0**
Attributable to			
Owners of the parent company	39.9	34.0	131.4
Minority interest	0.7	1.0	1.6
	40.6	35.0	133.0

All movements above are shown net of deferred tax. All other comprehensive income may be classified as profit and loss in the future.

Consolidated balance sheet

At 30 June 2013

	Note	Unaudited 30 June 2013 £m	Unaudited 30 June 2012 £m	31 December 2012 £m
Assets				
Investment property	3.1	766.1	458.5	762.8
Investment property under development	3.1	53.7	–	37.6
Investment in joint ventures	3.3a	208.4	181.5	194.8
Joint venture investment loans	3.3a	10.5	10.7	11.2
Other non-current assets		5.6	5.6	5.0
Total non-current assets		**1,044.3**	**656.3**	**1,011.4**
Completed property	3.1	–	187.4	–
Properties under development	3.1	39.8	171.2	26.5
Inventories	3.2	3.8	6.8	1.7
Trade and other receivables		42.6	39.0	53.5
Cash and cash equivalents		55.3	21.1	75.4
Total current assets		**141.5**	**425.5**	**157.1**
Total assets		**1,185.8**	**1,081.8**	**1,168.5**
Liabilities				
Borrowings	4.1	(115.2)	(95.9)	(100.2)
Interest rate swaps	4.2	(0.3)	–	(0.7)
Trade and other payables		(71.3)	(90.0)	(82.0)
Provisions		–	–	(0.5)
Current tax creditor		(0.3)	(1.0)	(0.5)
Total current liabilities		**(187.1)**	**(186.9)**	**(183.9)**
Borrowings	4.1	(365.4)	(425.6)	(427.7)
Interest rate swaps	4.2	(14.2)	(31.3)	(23.0)
Provisions		–	(1.2)	(0.2)
Total non-current liabilities		**(379.6)**	**(458.1)**	**(450.9)**
Total liabilities		**(566.7)**	**(645.0)**	**(634.8)**
Net assets		**619.1**	**436.8**	**533.7**
Equity				
Issued share capital		44.1	40.1	40.1
Share premium		295.2	249.0	249.2
Merger reserve		40.2	40.2	40.2
Retained earnings		227.7	102.8	195.0
Hedging reserve		(6.2)	(13.0)	(8.7)
Equity attributable to the owners of the parent company		**601.0**	**419.1**	**515.8**
Minority interest		18.1	17.7	17.9
Total equity		**619.1**	**436.8**	**533.7**

Consolidated statement of changes in shareholders' equity

For the 6 months 30 June 2013

	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 2013 (Unaudited)	**40.1**	**249.2**	**40.2**	**195.0**	**(8.7)**	**515.8**	**17.9**	**533.7**
Profit for the period	–	–	–	37.4	–	37.4	0.5	37.9
Other comprehensive income for the period	–	–	–	–	2.5	2.5	0.2	2.7
Total comprehensive income for the period	–	–	–	37.4	2.5	39.9	0.7	40.6
Shares issued	4.0	46.0	–	–	–	50.0	–	50.0
Fair value of share based payments	–	–	–	0.5	–	0.5	–	0.5
Own shares acquired	–	–	–	(0.5)	–	(0.5)	–	(0.5)
Dividends paid to owners of the parent company	–	–	–	(4.7)	–	(4.7)	–	(4.7)
Dividends to minority interest	–	–	–	–	–	–	(0.5)	(0.5)
At 30 June 2013	**44.1**	**295.2**	**40.2**	**227.7**	**(6.2)**	**601.0**	**18.1**	**619.1**

	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 2012	**40.1**	**249.0**	**40.2**	**72.8**	**(14.5)**	**387.6**	**17.1**	**404.7**
Profit for the period	–	–	–	125.6	–	125.6	1.6	127.2
Other comprehensive income for the period	–	–	–	–	5.8	5.8	–	5.8
Total comprehensive income for the period	–	–	–	125.6	5.8	131.4	1.6	133.0
Shares issued	–	0.2	–	–	–	0.2	–	0.2
Fair value of share based payments	–	–	–	1.5	–	1.5	–	1.5
Own shares acquired	–	–	–	(1.3)	–	(1.3)	–	(1.3)
Dividends paid to owners of the parent company	–	–	–	(3.6)	–	(3.6)	–	(3.6)
Dividends to minority interest	–	–	–	–	–	–	(0.8)	(0.8)
At 31 December 2012	**40.1**	**249.2**	**40.2**	**195.0**	**(8.7)**	**515.8**	**17.9**	**533.7**

Consolidated statement of cash flows

For the 6 months to 30 June 2013

	Unaudited 6 months to 30 June 2013 £m	Unaudited 6 months to 30 June 2012 £m	Year to 31 December 2012 £m
Cash flows from operating activities	**8.8**	**(13.4)**	**58.4**
Cash flows from taxation	**(0.5)**	**(0.3)**	**(0.9)**
Investing activities			
Proceeds from sale of investment property	(0.5)	5.9	27.5
Dividends received	4.9	4.8	9.6
Advances on loans to joint ventures	(1.4)	–	–
Interest received	0.1	0.1	0.2
Acquisition of intangible assets	(0.5)	(0.4)	(1.6)
Acquisition of property	(7.3)	(21.5)	(49.5)
Acquisition of plant and equipment	(1.1)	(0.1)	(0.2)
Cash flows from investing activities	**(5.8)**	**(11.2)**	**(14.0)**
Financing activities			
Total interest paid	(11.7)	(9.6)	(21.1)
Interest capitalised into inventory and property under development included in cash flows from operating activities	1.2	4.1	5.1
Interest paid in respect of financing activities	(10.5)	(5.5)	(16.0)
Ineffective swap payments	(8.3)	(10.9)	(18.8)
Proceeds from the issue of share capital	50.0	–	0.2
Payments to acquire own shares	(0.5)	(1.3)	(1.3)
Proceeds from non-current borrowings	27.3	173.5	291.3
Repayment of borrowings	(75.4)	(124.1)	(235.9)
Dividends paid to the owners of the parent company	(4.7)	(2.0)	(3.6)
Dividends paid to minority interest	(0.5)	(0.5)	(0.8)
Cash flows from financing activities	**(22.6)**	**29.2**	**15.1**
Net (decrease)/increase in cash and cash equivalents	**(20.1)**	**4.3**	**58.6**
Cash and cash equivalents at start of period	75.4	16.8	16.8
Cash and cash equivalents at end of period	**55.3**	**21.1**	**75.4**

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 2012.

The Group has adopted the Amendment to IAS 1 'Presentation of Items of Other Comprehensive Income' which requires an entity to present the items of other comprehensive income that may be recycled to profit and loss in the future separately from those that would never be recycled to profit or loss.

The comparative figures for the financial year ended 31 December 2012 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.

The Group's principal risks are consistent with those noted in the Annual Report for the year ended 31 December 2012. The Directors consider that the significant areas of judgement made by management that have a significant effect on the Group's performance and estimation are unchanged from those identified on page 77 of the Annual Report for the year ended 31 December 2012.

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 projections until the end of 2015. The Group has borrowing facilities expiring in 2013 and 2014, but has capacity in place within existing committed facilities to refinance substantially all of the 2013 maturities. Plans are also in place to refinance remaining debt facilities that mature in 2013 and 2014 over the course of the next 12 months. Historically the Group has maintained positive relationships with lenders and has arranged a significant level of new debt every year to manage its debt position and remain within its borrowing covenants. The Group is in full compliance with its borrowing covenants at 30 June 2013.

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

This section focuses on the results and performance of the Group. On the following pages you will find disclosures explaining the Group's results for the year, segmental information, earnings and net asset value (NAV) per share.

Net portfolio contribution (NPC) and NAV movement are the Group's main key performance indicators. This reflects the way the business is managed and how the directors assess the performance of the Group.

2.1 Segmental information
The Board of Directors monitor the business along two activity lines. The reportable segments for the 6 months ended 30 June 2013 and 30 June 2012 and for the year ended 31 December 2012 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.

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 2013

	UNITE	Share of joint ventures					Group on see through basis
	Total £m	USAF £m	UCC £m	LSAV £m	OCB £m	Total £m	Total £m
Rental income	42.1	9.7	4.2	1.0	1.3	16.2	58.3
Property operating expenses	(11.0)	(2.4)	(0.4)	(0.2)	(0.2)	(3.2)	(14.2)
Net operating income	**31.1**	**7.3**	**3.8**	**0.8**	**1.1**	**13.0**	**44.1**
Management fees	6.8	(0.7)	(0.6)	(0.1)	(0.2)	(1.6)	5.2
Operating expenses	(8.3)	(0.1)	–	–	–	(0.1)	(8.4)
	29.6	6.5	3.2	0.7	0.9	11.3	40.9
Operating lease rentals*	(6.7)	–	–	–	–	–	(6.7)
Net financing costs	(12.5)	(2.6)	(1.9)	(0.3)	(0.7)	(5.5)	(18.0)
Net portfolio contribution	**10.4**	**3.9**	**1.3**	**0.4**	**0.2**	**5.8**	**16.2**

Included in the above is rental income of £10.0 million and property operating expenses of £2.7 million relating to sale and leaseback properties.

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 fee	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.

Section 2: Results for the year continued

2.1 Segmental information continued

31 December 2012

	UNITE	Share of joint ventures						Group on see through basis
	Total £m	USAF £m	UCC £m	LSAV £m	OCB £m	USV £m	Total £m	Total £m
Rental income	79.4	18.8	9.4	0.3	3.3	0.2	32.0	111.4
Property operating expenses	(24.6)	(5.6)	(1.5)	–	(0.6)	–	(7.7)	(32.3)
Net operating income	**54.8**	**13.2**	**7.9**	**0.3**	**2.7**	**0.2**	**24.3**	**79.1**
Management fees	13.2	(1.4)	(1.2)	–	(0.3)	–	(2.9)	10.3
Operating expenses	(21.5)	(0.1)	–	(0.1)	(0.1)	–	(0.3)	(21.8)
	46.5	11.7	6.7	0.2	2.3	0.2	21.1	67.6
Operating lease rentals*	(12.8)	–	–	–	–	–	–	(12.8)
Net financing costs	(24.7)	(5.3)	(3.8)	(0.1)	(1.7)	(0.1)	(11.0)	(35.7)
Net portfolio contribution	**9.0**	**6.4**	**2.9**	**0.1**	**0.6**	**0.1**	**10.1**	**19.1**

Included in the above is rental income of £18.5 million and property operating expenses of £5.5 million relating to sale and leaseback properties.

* 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 business undertakes the acquisition and development of properties. This included the manufacture and sale of modular building components in the first half of 2012 prior to the business closure, 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 2.4. The Property segmental result is set out below.

	Unaudited 6 months to 30 June 2013 £m	Unaudited 6 months to 30 June 2012 £m	Year to 31 December 2012 £m
Pre-contract, abortive and other costs	(0.1)	(1.3)	(3.7)
Property segment result	**(0.1)**	**(1.3)**	**(3.7)**

Section 2: Results for the year continued

2.1 Segmental information continued

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 2013 £m	Unaudited 6 months to 30 June 2012 £m	Year to 31 December 2012 £m
Operations				
Net portfolio contribution	2.1a	**16.2**	**14.4**	**19.1**
Property				
Rental growth		13.3	20.2	33.8
Specific property write downs		(4.4)	–	(6.1)
Disposals and acquisition costs		(1.7)	(0.3)	(1.4)
Capital expenditure and refurbishments		1.7	0.4	1.8
Rental property gains		8.9	20.3	28.1
Development property gains		15.7	2.5	23.7
Pre-contract and other development costs		(0.1)	(1.3)	(3.7)
Total property		**24.5**	**21.5**	**48.1**
Unallocated				
Shares issued		50.0	–	–
Dividends paid		(4.7)	(2.0)	(3.6)
Share of monies received from Landsbanki		–	2.5	2.9
Swap losses and debt exit costs		(7.3)	(5.4)	(10.6)
LSAV set-up costs		–	–	(1.7)
Purchase of own shares		(0.5)	(1.3)	(1.3)
Other		(0.5)	(0.4)	(0.9)
Total unallocated		**37.0**	**(6.6)**	**(15.2)**
Total adjusted NAV movement in the period		**77.7**	**29.3**	**52.0**
Total adjusted NAV brought forward		566.5	514.5	514.5
Total adjusted NAV carried forward	2.3a	**644.2**	**543.8**	**566.5**

Section 2: Results for the year continued

2.2 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.

a) Adjusted profit and reconciliation to IFRS
The adjusted profit 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 reconciles to the profit reported under IFRS as follows:

	Note	Unaudited 6 months to 30 June 2013 £m	Unaudited 6 months to 30 June 2012 £m	Year to 31 December 2012 £m
Operations segment result – Net portfolio contribution	2.1a	16.2	14.4	19.1
Property segment result	2.1b	(0.1)	(1.3)	(3.7)
Unallocated to segments		(0.9)	1.3	0.5
Adjusted profit		**15.2**	**14.4**	**15.9**
Net valuation gains on investment property		12.8	11.6	29.8
Property gains realised on transfer of completed property		–	–	49.7
Property disposals and write downs		(1.5)	(2.2)	14.7
LSAV set up costs		–	–	(1.3)
Share of joint venture gains on investment property	3.3a	9.3	6.3	14.9
Share of joint venture property disposals and write downs		(0.1)	0.3	0.3
Share of joint venture LSAV set up costs		–	–	(0.4)
Share of joint venture debt exit costs	3.3a	(2.0)	–	–
Mark to market changes in interest rate swaps*		0.5	(3.9)	(7.6)
Interest rate swap payments on ineffective hedges*		2.8	5.8	9.0
Share of joint venture changes in fair value of interest rate swaps	3.3a	(0.3)	(0.3)	(0.6)
Current tax included in unallocated to segments		0.2	0.4	0.4
Share of joint venture deferred tax credit	3.3a	–	0.4	0.4
Minority interest share of NPC**	3.3a	0.6	0.7	1.0
Profit before tax		**37.5**	**33.5**	**126.2**

* Within IFRS reported profit, there is a £0.5 million profit (2012: £3.9 million loss) relating to movements in the mark to market of ineffective interest rate swaps. Part of this movement, £2.8 million (2012: £5.8 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 2.1a.

** 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 (£0.9 million) (2012: £1.3million) includes the Group's share of cash received from Landsbanki £nil (2012: £2.5 million), current tax charges of (£0.2 million) (2012: (£0.4 million)), donations to the UNITE Foundation (£0.1 million) (2012: £nil), and share option fair value charges of (£0.5 million) (2012: (£0.8 million)).

Section 2: Results for the year continued

2.2 Adjusted profit and EPS continued

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 2013 is as follows:

	Note	Unaudited 6 months to 30 June 2013 £m	Unaudited 6 months to 30 June 2012 (restated for share issue) £m	Unaudited 6 months to 30 June 2012 (as previously reported) £m	Year to 31 December 2012 (restated for share issue) £m	Year to 31 December 2012 (as previously reported) £m
Earnings						
Basic (and diluted)		37.4	32.5	32.5	125.6	125.6
Adjusted	2.2a	15.2	14.4	14.4	15.9	15.9
Weighted average number of shares (thousands)						
Basic		162,443	161,617	160,271	161,666	160,319
Dilutive potential ordinary shares (share options)		232	78	78	136	136
Diluted		162,675	161,695	160,349	161,802	160,455
Earnings per share (pence)						
Basic		23.0p	20.1p	20.2p	77.7p	78.3p
Diluted		23.0p	20.1p	20.2p	77.7p	78.3p
Adjusted		**9.3p**	**8.9p**	**9.0p**	**9.8p**	**9.9p**

Movements in the weighted average number of shares have resulted from the placing in June 2013 and the issue of shares arising from the employee share based payment schemes.

The calculation of earnings per share for the period ended 30 June 2012 and the year ended 31 December 2012 have been restated in accordance with the retrospective adjustment requirements of IAS 33 Earnings per Share with regard to the placing in June 2013. The issue comprised 16,000,000 shares and gave rise to proceeds of £51.2 million, £49.9 million net of issue costs.

2.3 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 2013		
	Wholly owned £m	Share of JV's £m	Total £m
Investment properties	766.1	402.5	1,168.6
Completed properties (at market value)	–	–	–
Rental properties	766.1	402.5	1,168.6
Investment properties under development	53.7	–	53.7
Properties under development (at market value)	63.2	13.6	76.8
Development properties	116.9	13.6	130.5
Total property portfolio	**883.0**	**416.1**	**1,299.1**
Debt on properties (net of cash)	(425.2)	(194.3)	(619.5)
Other liabilities	(19.6)	(15.8)	(35.4)
Adjusted net assets	**438.2**	**206.0**	**644.2**
Loan to value (%)	**48%**	**47%**	**48%**

Section 2: Results for the year continued

2.3 Adjusted Net Assets and NAV per share continued
a) Adjusted net assets continued

	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
Investment properties under development	–	–	–
Properties under development (at market value)	228.2	0.1	228.3
Development properties	228.2	0.1	228.3
Total property portfolio	**900.5**	**368.1**	**1,268.6**
Debt on properties (net of cash)	(500.6)	(182.0)	(682.6)
Other liabilities	(40.8)	(1.4)	(42.2)
Adjusted net assets	**359.1**	**184.7**	**543.8**
Loan to value (%)	**56**	**49**	**54**

	31 December 2012		
	Wholly owned £m	Share of JV's £m	Total £m
Investment properties	762.8	399.3	1,162.1
Completed properties (at market value)	–	–	–
Rental properties	762.8	399.3	1,162.1
Investment properties under development	37.6	0.2	37.8
Properties under development (at market value)	45.5	–	45.5
Development properties	83.1	0.2	83.3
Total property portfolio	**845.9**	**399.5**	**1,245.4**
Debt on properties (net of cash)	(452.6)	(195.1)	(647.7)
Other liabilities	(23.1)	(8.1)	(31.2)
Adjusted net assets	**370.2**	**196.3**	**566.5**
Loan to value (%)	**53**	**49**	**52**

Section 2: Results for the year continued

2.3 Adjusted Net Assets and NAV per share continued
b) Reconciliation to IFRS
Adjusted NAV reconciles to NAV reported under IFRS as follows:

	Note	Unaudited 6 months to 30 June 2013 £m	Unaudited 6 months to 30 June 2012 £m	Year to 31 December 2012 £m
Adjusted NAV	2.3a	**644.2**	**543.8**	**566.5**
Mark to market interest rate swaps		(19.8)	(41.3)	(31.7)
Valuation gain not recognised on property held at cost	3.1	(23.4)	(83.4)	(19.0)
Net asset value reported under IFRS attributable to the owners of the parent company		**601.0**	**419.1**	**515.8**

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 2013 is calculated as follows:

	Note	Unaudited 6 months to 30 June 2013 £m	Unaudited 6 months to 30 June 2012 (restated for share issue) £m	Unaudited 6 months to 30 June 2012 (as previously reported) £m	Year to 31 December 2012 (restated for share issue) £m	Year to 31 December 2012 (as previously reported) £m
Net assets						
Basic (as reported under IFRS on the balance sheet)	2.3b	601.0	469.0	419.1	565.7	515.8
Adjusted pre-dilution (as defined by EPRA)	2.1c	644.2	593.7	543.8	616.4	566.5
Adjusted diluted (takes into account the dilutive effect of all share options being exercised)		646.2	596.0	546.1	618.3	568.4
Number of shares (thousands)						
Basic		176,527	176,271	160,271	176,461	160,461
Outstanding share options		2,622	2,724	2,724	2,111	2,111
Diluted		179,149	178,995	162,995	178,572	162,572
Net asset value per share (pence)						
Basic		340p	266p	262p	321p	321p
Adjusted pre dilution		365p	337p	339p	349p	353p
Adjusted diluted		**361p**	**333p**	**335p**	**346p**	**350p**

The calculations of NAV per share at 30 June 2012 and 31 December 2012 have been restated in accordance with the retrospective adjustment requirements of IAS 33 Earnings per Share with regard to the placing in June 2013.

2.4. Revenue
The Group earns revenue from the following activities:

		Note	Unaudited 6 months to 30 June 2013 £m	Unaudited 6 months to 30 June 2012 £m	Year to 31 December 2012 £m
Rental income	Operations segment	2.1a	42.1	40.2	79.4
Management fees	Operations segment		5.6	5.4	10.9
Manufacturing revenue	Property segment		–	9.2	12.5
Property sales	Unallocated		–	11.0	112.1
			47.7	65.8	214.9
Impact of minority interest on management fees			(0.1)	(0.1)	(0.2)
Impact of minority interest on property sales			–	–	(0.1)
Total revenue			**47.6**	**65.7**	**214.6**

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 adjusted 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 four 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 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.

iii) Completed properties (current assets)
These are assets acquired by the Group with the intention to hold the assets for a short period prior to disposal to a joint venture or third parties. The Group continues to earn rental income and capital appreciation on these assets which are held at cost in the balance sheet.

iv) 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 2013 and 2012.

Section 3: Asset management continued

3.1 Wholly owned property assets continued
The movements in the carrying value of the Group's wholly owned property portfolio during the 6 months ended 30 June 2013 were
as follows:

Unaudited June 2013

	Investment property £m	Investment property under development £m	Property under development £m	Total £m
At 1 January 2013	762.8	37.6	26.5	826.9
Cost capitalised	1.7	8.6	11.9	22.2
Interest capitalised	–	1.2	1.2	2.4
Disposals	(4.9)	–	–	(4.9)
Reversal of impairment	–	–	0.2	0.2
Valuation gains	10.1	6.3	–	16.4
Valuation losses	(3.6)	–	–	(3.6)
Net valuation gains	6.5	6.3	–	12.8
Carrying value at 30 June 2013	**766.1**	**53.7**	**39.8**	**859.6**

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 property and investment property under development, by external valuers. The fair value of the Group's wholly owned properties at 30 June 2013 is as follows:

	Investment property £m	Investment property under development £m	Property under development £m	Total £m
Carrying value at 30 June 2013 (above)	766.1	53.7	39.8	859.6
Valuation gains not recognised under IFRS but included in Adjusted NAV				
Brought forward	–	–	19.0	19.0
Valuation gain in year	–	–	4.4	4.4
	–	–	23.4	23.4
Market value at 30 June 2013	**766.1**	**53.7**	**63.2**	**883.0**

Section 3: Asset management continued

3.1 Wholly owned property assets continued

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**

The fair value of the Group's wholly owned property portfolio 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
Market value at 30 June 2012	**458.5**	**213.8**	**228.2**	**900.5**

Section 3: Asset management continued

3.1 Wholly owned property assets continued

December 2012

	Investment property £m	Investment property under development £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	2.4	28.8	0.4	46.0	77.6
Interest capitalised	–	0.9	–	5.1	6.0
Transfer of completed property	263.6	–	(263.6)	–	–
Transfer from property under development	–	–	159.2	(159.2)	–
Transfer from work in progress	–	1.4	–	–	1.4
Disposals	(29.2)	–	(95.1)	–	(124.3)
Reversal of impairment / (impairment)	–	–	0.4	(0.6)	(0.2)
Valuation gains recognised on transfer of completed property	49.7	–	–	–	49.7
Valuation gains	30.5	6.5	–	–	37.0
Valuation losses	(7.2)	–	–	–	(7.2)
Net valuation gains	23.3	6.5	–	–	29.8
Carrying value at 31 December 2012	**762.8**	**37.6**	**–**	**26.5**	**826.9**

The fair value of the Group's wholly owned property portfolio at 31 December 2012 is as follows:

	Investment property £m	Investment property under development £m	Completed property £m	Property under development £m	Total £m
Carrying value at 31 December 2012 (above)	762.8	37.6	–	26.5	826.9
Valuation gains not recognised under IFRS but included in Adjusted NAV					
Brought forward	–	–	22.2	53.9	76.1
Transfer from property under development	–	–	49.4	(49.4)	–
Transfer of completed property	–	–	(49.7)	–	(49.7)
Disposals	–	–	(26.0)	–	(26.0)
Valuation gain in year	–	–	4.1	14.5	18.6
	–	–	–	19.0	19.0
Market value at 31 December 2012	**762.8**	**37.6**	**–**	**45.5**	**845.9**

During the year ended 31 December 2012, properties with a carrying value of £263.6 million and a fair value of £313.3 million were transferred from completed property to investment property. This resulted in the recognition of £49.7 million of previously unrecognised valuation gains.

3.2 Inventories

	Unaudited 6 months to 30 June 2013 £m	Unaudited 6 months to 30 June 2012 £m	Year to 31 December 2012 £m
Interests in land	–	2.7	0.6
Other stocks	3.8	4.1	1.1
Inventories	**3.8**	**6.8**	**1.7**

Section 3: Asset management continued

3.3 Investments in joint ventures

The Group has four joint ventures:

Joint venture	Group's share of assets/results 2013 (2012)	Objective	Partner	Legal entity in which Group has interest
The UNITE UK Student Accommodation Fund (USAF)	18.9%* (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% (30%)	Invest 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
London Student Accommodation Venture (LSAV)	50% (nil)	Develop and operate student accommodation in London	GIC Real Estate Pte, Ltd Real estate investment vehicle of the Government of Singapore	LSAV Unit Trust, a Jersey Unit Trust and LSAV (Holdings) Ltd, incorporated in Jersey
OCB Property Holdings (OCB)	25% (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 16.4% (2012: 16.3%) of USAF.

Section 3: Asset management continued

3.3 Investments in joint ventures continued
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 £13.6 million during the 6 months ended 30 June 2013 (30 June 2012: £8.5 million), resulting in an overall carrying value of £208.4 million (30 June 2012: £181.5 million). The following table shows how the increase has been achieved.

	Unaudited 30 June 2013			Unaudited 30 June 2012		
	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)	5.8	–	5.8	6.1	–	6.1
Minority interest share of NPC	0.6	–	0.6	0.7	–	0.7
Management fee adjustment related to trading with joint venture	1.2	–	1.2	1.2	–	1.2
Net revaluation gains	9.3	–	9.3	6.3	–	6.3
Deferred tax	–	–	–	0.4	–	0.4
Discount on interest free loans	(11.6)	11.6	–	(0.4)	0.4	–
Debt exit costs	(2.0)	–	(2.0)	–	–	–
Loss on cancellation of interest rate swaps	(0.3)	–	(0.3)	(0.3)	–	(0.3)
Landsbanki cash received	–	–	–	2.5	–	2.5
(Loss) / profit on disposal of investment property	(0.1)	–	(0.1)	0.3	–	0.3
Other	0.1	–	0.1	0.1	–	0.1
	3.0	11.6	14.6	16.9	0.4	17.3
Recognised in equity:						
Movement in effective hedges	3.0	–	3.0	1.5	–	1.5
Deferred tax on movement in effective hedges	–	–	–	(0.1)	–	(0.1)
Other adjustments to the carrying value:						
Profit adjustment related to trading with joint venture	(2.5)	1.3	(1.2)	(1.2)	0.1	(1.1)
Additional loan to OCB	–	1.4	1.4	–	–	–
Acquisition of remaining 49% in USV	–	–	–	(3.8)	(3.9)	(7.7)
Reclassification of investment loan following refinancing	15.0	(15.0)	–	–	–	–
Distributions received	(4.9)	–	(4.9)	(4.8)	–	(4.8)
Increase in carrying value	**13.6**	**(0.7)**	**12.9**	**8.5**	**(3.4)**	**5.1**
Carrying value at 1 January	194.8	11.2	206.0	173.0	14.1	187.1
Carrying value at 30 June	**208.4**	**10.5**	**218.9**	**181.5**	**10.7**	**192.2**

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.

During the period two joint venture investment loans to USAF were reclassified as investment in joint ventures following a change in the terms of these loans as a result of the refinancing within USAF.

Section 3: Asset management continued

3.3 Investments in joint ventures continued
a) Movement in carrying value of the Group's investments in joint ventures continued

	31 December 2012		
	Investment in joint venture £m	Joint venture investment loan £m	Total interest £m
Recognised in the income statement:			
Net portfolio contribution (NPC)	10.1	–	10.1
Minority interest share of NPC	1.0	–	1.0
Asset management fee trading with joint venture adjustment	2.3	–	2.3
Net revaluation gains	14.9	–	14.9
Deferred tax	0.4	–	0.4
Discount on interest free loans	(0.8)	0.8	–
Loss on cancellation of interest rate swaps	(0.6)	–	(0.6)
Landsbanki cash received	2.9	–	2.9
Other	0.1	–	0.1
	30.3	0.8	31.1
Recognised in equity:			
Movement in effective hedges	3.6	–	3.6
Deferred tax on movement in effective hedges	(0.1)	–	(0.1)
Other adjustments to the carrying value:			
Profit adjustment related to trading with joint venture	(10.1)	0.2	(9.9)
Acquisition of remaining 49% in USV	(3.8)	(3.9)	(7.7)
Acquisition of 50% share in LSAV	11.5	–	11.5
Distributions received	(9.6)	–	(9.6)
Increase in carrying value	**21.8**	**(2.9)**	**18.9**
Carrying value at 1 January	173.0	14.1	187.1
Carrying value at 31 December	**194.8**	**11.2**	**206.0**

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 months to 30 June 2013 £m	Unaudited 6 months to 30 June 2012 £m	Year to 31 December 2012 £m
Current			
In one year or less, or on demand	115.2	95.9	100.2
Non-current			
In more than one year but not more than two years	2.6	140.4	65.1
In more than two years but not more than five years	132.6	141.9	131.8
In more than five years	230.2	143.3	230.8
	365.4	425.6	427.7
Total borrowings	**480.6**	**521.5**	**527.9**

The carrying value of borrowings is considered to be approximate to fair value, except for the Group's fixed rate loans carried at £227.8 million (2012: £138.1 million). The fair value of these fixed rate loans has been calculated by a third party expert discounting estimated future cash flows on the basis of market expectations of future interest rates. The fair value of these loans is £230.9 million (2012: £143.1 million).

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 2013 £m	Unaudited 6 months to 30 June 2012 £m	Year to 31 December 2012 £m
Current	0.3	–	0.7
Non-current	14.2	31.3	23.0
Fair value of interest rate swaps	14.5	31.3	23.7

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 7 fair value hierarchy. The IFRS 7 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 2013, the Company declared and paid a final dividend of £4.7 million (2012: £2.0 million). After the period end, the Directors proposed an interim dividend of 1.6p per share (2012: 1.0p 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 2013 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 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 Conduct Authority ("the UK FCA"). 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 FCA.

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 2013 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

William Meredith for and on behalf of KPMG Audit Plc
Chartered Accountants
15 Canada Square, London, E14 5GL

29 August 2013