PRESS RELEASE

THE UNITE GROUP PLC

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

CONTINUED STRONG PERFORMANCE ON ALL FRONTS

The Unite Group plc, the UK's leading developer and manager of student accommodation, announces its half year results for the six months to 30 June 2014.

HIGHLIGHTS

Strong financial performance

- EPRA earnings up 34% to £20.4 million (30 June 2013: £15.2 million)
- EPRA earnings per share up 17.2% to 10.9 pence (30 June 2013: 9.3 pence)
- EPRA NAV per share up 5.2% to 402 pence (31 December 2013: 382 pence) equating together with dividends to a total return of 6.1% on opening NAV per share for the six months (30 June 2013: 4.0%)
- On track to achieve like-for-like rental growth of at least 3% for the full year
- Interim dividend increased by 37.5% to 2.2 pence per share (2013 interim: 1.6 pence)
- Bringing forward 4.5% EPS yield target by a year to 2014

Capital structure strengthened and simplified

- See-through adjusted LTV reduced to 44% (31 December 2013: 49%)
- Number of co-investment vehicles reducing from four to two following sale of the OCB joint venture properties and increase in UCC stake to 50% triggering merger with LSAV
- Unite stake in USAF increased to 21% as part of wider £115 million capital raise by the fund

Further enhancements to quality portfolio

- Four regional development projects contractually secured totalling c.2,300 bed spaces for delivery in 2016
- Two further development projects secured under lock-out agreements expected to total approximately 1,000 bed spaces
- Planning consents achieved on LSAV London projects comprising 1,600 bed spaces for delivery in 2016
- High quality 3,000 bed regional portfolio acquired by USAF in July

Well positioned for continued growth

- Reservations for the 2014/15 academic year at 92%, compared to 90% at the same time last year and supportive of rental growth of at least 3% for the full year
- Secured development pipeline on track to add 32 pence per share to NAV and 12 pence per share to earnings by 2017 if expected returns are achieved
- Government policy increasing funded places for 2014/15 and removing the cap on 2015/16 places, expected to translate strong demand into higher student numbers in the coming years
- "Home for Success" brand investment programme launched to capitalise on and strengthen market position and build further on highest ever customer satisfaction levels

Mark Allan, Chief Executive of Unite Group commented: "During the first half of 2014, our business has continued to perform well in all areas as reflected in the growth reported in both earnings and NAV over the period. Our primary financial objective remains to continue to grow recurring earnings and cashflow sustainably. Given the positive rental growth outlook, a growing development pipeline and USAF's recent acquisition of a high quality regional portfolio, we retain strong momentum and are now targeting a 4.5% EPS yield on NAV for 2014, a year ahead of our previous plans.

"Our strategy is underpinned by three key priorities: to be the most trusted brand in our sector, to maintain the highest quality portfolio and to have the strongest capital structure. We continue to make excellent progress and are confident about our ability to deliver our strategy against a strong market backdrop."

PRESENTATION

There will be a presentation for analysts this morning at 09:30. The live webcast will be available at: Interim Results 2014. Please contact Bell Pottinger for further details. Dial-in number for the presentation: +44 20 3059 8125.

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OVERVIEW

Business performance and market conditions have remained positive throughout 2014. Earnings growth has been particularly strong with EPRA earnings for the six months up 34% to £20.4 million (30 June 2013: £15.2 million), equating to EPRA earnings per share of 10.9 pence (30 June 2013: 9.3 pence), and cash conversion has remained high. As a result we are declaring an interim dividend of 2.2 pence per share, up 37.5% on 2013 (1.6 pence).

EPRA NAV per share was up 5.2% in the period to 402 pence (31 December 2013: 382 pence) equating to a total return of 6.1% for the six months including dividends paid (2013: 4.0%). We remain on track to achieve our objective of delivering low double digit annual returns on equity through the cycle.

Our key financial performance indicators are set out below:

Financial highlights	Six months to 30 June 2014	Six months to 30 June 2013	Year to 31 Dec 2013
EPRA earnings	£20.4m	£15.2m	£30.6m
EPRA earnings per share	10.9p	9.3p	18.0p
EPRA NAV per share	402p	361p	382p
Dividend	2.2pps	1.6pps	4.8pps
Total return on NAV	6.1%	4.0%	10.5%
See through LTV ratio	44%	48%	49%
Operations cashflow	£24.3m	£14.0m	£23.2m

In 2012 we set out a clear target to achieve a 4.5% EPS yield on opening NAV by 2015, reflecting our focus on growing recurring earnings and cashflow. The strong performance in 2014 to date, positive rental growth prospects for the 2014/15 academic year, excellent pipeline visibility and recent USAF portfolio acquisition mean that we are now bringing forward this target to the current year. As a result we also intend to review and possibly increase our dividend payout ratio at the full year.

In March we raised £96 million (net of expenses) by way of a placing and open offer of new shares at a price of 410 pence per share. Approximately half of the proceeds were used to increase our stake in USAF to 21% while the remainder will be used to continue our successful, highly targeted, regional development programme. The placing and open offer has had minimal impact on the EPRA EPS and NAV numbers reported for 30 June 2014 but are expected to be meaningfully accretive to both in the medium term.

Our regional development programme is part of a wider strategy designed to ensure we retain the highest quality portfolio in the sector. The other elements of this strategy are London development (through our LSAV joint venture), selective acquisitions of stabilised assets (normally through USAF) and ongoing disposals to ensure disciplined portfolio recycling.

We have made good progress in building the pipeline with four new development projects (2,300 beds) contractually secured in strong regional locations, planning consents obtained for two significant London developments (1,600 beds) and two further schemes (1,000 beds) secured under lock-out agreements in strong regional markets. In addition USAF acquired a high quality 3,000 bed regional portfolio and properties comprising approximately 1,900 bed spaces were sold into the open market, either by the Group or its co-investment vehicles. Our development programme in particular is a source of significant future value with contractually secured projects on track to deliver 32 pence per share of NAV and 12 pence per share of recurring earnings as they are completed.

Simplifying our capital structure has also been an important priority for the Group and we have made good progress in this area. In April we completed the £174 million sale of all of the properties from our OCB joint venture and re-invested our share of proceeds in acquiring units in our UCC joint venture to increase our stake to 50%. This acquisition of UCC units triggered the merger of UCC into LSAV, our second joint venture with GIC, and once completed will leave us with two co-investment vehicles (USAF and LSAV), reduced from four at the start of the year. Our stakes in USAF (21%) and UCC / LSAV (50%) are both core long term investments for the Group.

As well as being simplified, our capital structure was also strengthened further in the period as a result of capital growth and retained profits together with capital raising activity both on balance sheet and within USAF. At 30 June 2014 our see-through LTV ratio was 44%, down from 49% at December 2013. Maintaining a strong capital structure is an important strategic priority for us and we intend to continue moving towards a target of 40% see-through LTV over time.

In April we launched our 'Home for Success' investment programme, designed to further improve our already market-leading operating platform and ensure that Unite Students remains the most trusted brand in the student accommodation sector. The investment programme comprises £40 million of targeted investment over the next two years (Unite share: £20 million) and we have made good initial progress in the four months since launch. Home for Success has been launched from a position of strength with both customer satisfaction levels and operating margins at all-time highs and we believe it will strengthen our market leading position further in the years ahead.

The outlook for our sector remains very strong with university applications for 2014/15 up 3.6% year-on-year. Applications continue to outstrip available places significantly (by 180,000 in 2013/14 and forecast to be at similar levels in 2014/15) and with the Government increasing the number of funded places by 30,000 for 2014/15 and lifting the cap on places altogether for 2015/16 we expect to see this strong demand translate into consistently higher student numbers in the coming years. Our reservations performance for 2014/15 reflects the strong market environment with 92% of available rooms already reserved as at 27 August (27 August 2013: 90%) and we expect rental growth for the full year to be at least 3%.

Investment activity in student accommodation remains elevated and we expect transaction volumes in 2014 to exceed £2 billion for the third consecutive year as the recapitalisation of distressed portfolios approaches conclusion. This heightened level of interest has translated into only modest yield compression to date but as the supply of available stabilised assets slows in line with diminishing distressed opportunities in the sector, the outlook for yields is likely to strengthen.

Following a period of consistent strong performance the Group remains well placed to deliver sustained growth in the years ahead. Market dynamics are supportive of rising demand, rents and capital values; our development pipeline and expertise positions us to add materially to both recurring earnings and NAV, and our brand investment programme, building on existing efficiency and scalability, has the potential to increase our competitive advantage in a sector that is rapidly becoming more established.

The strength of our business is such that we are accelerating our earnings growth targets and are now targeting a 4.5% EPS yield on NAV for the current financial year, brought forward from 2015. Furthermore due to the excellent long-term visibility of rental growth and development completions we expect our consistent earnings growth to continue into 2015 and beyond.

OPERATIONS REVIEW

Sales, rental growth and profitability

In the first six months of 2014 our continued strong performance delivered an increase in EPRA earnings of £5.2 million to £20.4 million or 10.9 pence per share (30 June 2013: £15.2 million, 9.3 pence per share). This growth was driven by high occupancy, rental growth and the impact of portfolio movements as well as further operational efficiencies and interest savings. EPRA EPS yield on NAV for the period increased to 2.9%, up from 2.7% for the six months to 30 June 2013 and we are now targeting a 4.5% yield for the full year.

Summary income statement	Six months to 30 June 2014 £m	Six months to 30 June 2013 £m	Year to 31 Dec 2013 £m
Unite's share of rental income	64.0	58.3	113.4
Unite's share of property operating expenses	(15.4)	(14.2)	(32.4)
Net operating income (NOI)	**48.6**	**44.1**	**81.0**
NOI margin	***75.9%***	***75.6%***	***71.4%***
Management fees	5.1	5.2	10.6
Operating expenses	(9.8)	(8.4)	(19.0)
Finance costs	(21.2)	(24.7)	(47.0)
Operations segment result (NPC)	**22.7**	**16.2**	**25.6**
Property segment result	**(1.2)**	**(0.1)**	**(3.3)**
UCC promote fee	-	-	7.5
Other	(1.1)	(0.9)	0.8
Unallocated to segments	**(1.1)**	**(0.9)**	**8.3**
EPRA earnings	**20.4**	**15.2**	**30.6**
EPRA EPS	10.9p	9.3p	18.0p
EPRA EPS pre UCC promote fee	10.9p	9.3p	13.6p
EPRA EPS yield (on opening EPRA NAV)	2.9%	2.7%	3.9%

The Group's NOI margin increased to 75.9% from 75.6% (June 2013) as further cost savings were delivered and our increasing use of mobile technology yielded additional productivity gains. Conversely operating expenses increased by 17% to £9.8 million due mainly to exceptional, non-repeating costs associated with strategic planning activity (primarily relating to our Home for Success investment programme) and we expect these to return to normal levels in 2015.

Finance costs fell 14% to £21.2 million due mainly to a significant reduction in our average cost of debt following refinancing activity over the past year while the property segment result includes £0.7 million of development pre-contract costs (June 2013: £0.1 million), reflecting increased activity in identifying and securing new regional sites. The majority of the other costs relate to adjustments in the fair value of share options.

Home for Success investment programme

Satisfaction with service has improved year on year once more and has been driven by a range of further improvements this year. These include upgrades to our digital platforms (website and online booking), the successful launch of two student apps (MyUnite, which allows students living with us to access various services from their phone; and World of Unite), the introduction of our wellbeing programme, the strengthening of our social media capability and numerous improvements to our National Contact Centre (including a new telephony system and the recruitment of specialist advisors fluent in a combined 11 languages).

For the longer term we are continuing to invest in improving our operating platform and service provision to increase our brand strength and competitive advantage. This is taking place at a time when we believe many operators in the sector will struggle to respond due to financial limitations, a lack of scale or competing priorities such as integrating acquisitions. As announced on 30 April 2014, work has begun on delivering a £40 million (£20 million Unite share) two-year investment programme aligned to our core business purpose, Home for Success.

Progress has already been made with the majority of the 16 signature commitments we announced in April focusing on the four areas of Physical, Digital, Service and People. Our implementation plan is on track and students staying with Unite in 2014/15 will benefit from a number of additional services and benefits for no extra cost:

- We have completed the upgrade of our Wi-Fi service throughout all properties; now providing free 20Mb internet access, everywhere, with the option to upgrade to 50Mb
- We have recruited almost 100 additional housekeepers to provide free fortnightly cleaning in shared kitchens helping students settle in to their new homes, reducing disputes and giving our staff more contact time with customers
- LED lighting installations have been completed in our first 11 properties in Leicester, Aberdeen, Bristol and London further reducing our operating costs and carbon footprint while improving students' experience of living with us. Over the next 18 months we will complete installations in approximately six properties per month completing the full estate by no later than January 2016
- Reception and common rooms have been refreshed in line with our new 'look and feel' at 15 properties; the remaining buildings will be completed over the next 12 months at a rate of approximately 15 per month
- We are establishing a small operational presence in Beijing at minimal cost to cater more specifically for our significant Chinese customer population. We expect this to be fully operational by early 2015 and to focus on marketing and operational support activities

Over the next six to nine months we will see much more delivered in relation to these commitments including transforming the look and feel of more properties, launching various elements of our new IT infrastructure including an entirely new website and booking system and finalising our plans for paying all staff at least the living (rather than minimum) wage.

Home for Success has galvanised our employee base capturing the imagination of people at all levels of the business and our teams have been busy fine-tuning their plans and ideas in line with the new purpose. Our discussions with university partners over the last few months have been similarly positive with excellent encouragement from all quarters across the UK.

Demand and supply outlook

The final figures for 2014/15 applications from UCAS showed that applications were up by 3.6% compared to last year, to a total of 702,000, demonstrating the continued demand for university education. Applications from EU Students were up 4.8%, non-EU applicants increased 6.3% and applications from UK students were up 3.2% suggesting that the impact of increased tuition fees introduced in 2012 has been absorbed.

Applicant numbers continue to outstrip available places by a significant margin (over 180,000 in 2013/14 and forecast to be at similar levels in 2014/15) and it is the number of available, funded places which will be the key determinant of final student numbers for 2014/15. As previously announced the Government has increased the number of funded places for 2014/15 by 30,000 and based on the strength of applications we expect all of these places to be filled.

From 2015/16 the Government intends to remove restrictions on enrolment numbers entirely, which is likely to support sustained growth in student numbers in the longer term. However we do not expect this increase in demand to fall evenly across the sector and variation in enrolment levels between different institutions is likely to increase. We remain confident that our business is aligned with stronger institutions that are likely to experience continued growth and therefore view the removal of the student number cap as firmly positive.

With modest levels of new supply into Unite markets (c.12,000 new beds, around one third of which are in London) and continued strong demand, the outlook for rental growth remains healthy.

Reservations and rental growth

Reservations for the 2014/15 academic year continue to be very encouraging. At 27 August 2014 they stood at 92% across our portfolio compared to 90% at the same point in 2013. We have seen increased demand across all segments and locations; university contracts, re-bookers, UK and international bookings have all increased year-on-year reflecting both the supportive market environment and the effectiveness of our sales and marketing channels. All cities where we operate are tracking positively year-on-year in terms of reservations.

Based on this reservations performance and the positive market environment we are confident of achieving like-for-like rental growth of at least 3% for the full year.

PROPERTY REVIEW

NAV growth

EPRA NAV increased by £134 million to £816 million at 30 June 2014, up from £682 million at 31 December 2013. £96 million of this increase was attributable to our equity issue in March with the remainder reflecting value creation as yields remained broadly flat.

EPRA NAV per share increased by 20 pence to 402 pence and the main factors behind this movement were:

- The growth in the value of the Group's share of investment assets primarily as a result of rental growth (+9 pence)
- The value added to the development portfolio (+6 pence)
- The impact of swap breakage costs and other items related to refinancing activity (-2 pence)
- The positive impact of retained profits after dividends (+7 pence)

Property portfolio

The valuation of our property portfolio at 30 June 2014, including our share of gross assets held in USAF and joint ventures, was £1,533 million (31 December 2013: £1,370 million). The £163 million increase in see through portfolio value was attributable to £72 million of capital expenditure, £23 million of valuation increases and £130 million as a result of our increased ownership of USAF and UCC, offset by disposals of £60 million. The valuation of the investment portfolio increased by 1.5% on a like-for-like basis over the six months after adjusting for property disposals, principally reflecting rental growth. Four basis points of yield compression on a like-for-like basis has been reflected in the valuations at 30 June 2014 taking the average portfolio yield to 6.48%.

Summary balance sheet

	30 June 2014			30 June 2013			31 December 2013		
	Wholly owned £m	Share of fund/JV £m	Total £m	Wholly owned £m	Share of Fund/JV £m	Total £m	Wholly owned £m	Share of Fund/JV £m	Total £m
Rental properties	783	492	1,275	766	403	1,169	767	408	1,175
Properties under development	210	48	258	117	13	130	180	15	195
	993	540	1,533	883	416	1,299	947	423	1,370
Debt on properties (net of cash)	(471)	(199)	(670)	(425)	(194)	(619)	(470)	(196)	(666)
Other assets / (liabilities)	(19)	(28)	(47)	(20)	(16)	(36)	(24)	2	(22)
EPRA net assets	**503**	**313**	**816**	**438**	**206**	**644**	**453**	**229**	**682**

The proportion of our property portfolio that is income generating is 83%, down from 86% at December 2013, as we make progress with our 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 and we expect it to peak at approximately 20%. Geographically, around 45% of our portfolio (on a see through basis) is located in London with the remaining 55% in strong regional locations. We expect this split to move forwards 60:40 in favour of regional locations over the next few years.

Student accommodation yields

Yields for student accommodation assets have remained broadly stable over the first half of the year and at 30 June 2014 our average portfolio yield was 6.48% (31 December 2013: 6.50%). This average yield is 77bps higher than the IPD All Property initial yield of 5.71%, a spread which has widened by 31bps over the first six months of the year. Transaction volumes have remained healthy but continue to be focused on the various distressed portfolios in the market (such as the former Opal assets) which is likely to have restricted inward yield movement to date relative to the wider UK property market. As the number of distressed opportunities reduces there is potential for increased yield compression, particularly given the continued positive rental growth outlook for the sector.

Development activity

Development activity remains a significant driver of growth both in terms of NAV and future earnings and we continue to focus our efforts on London (through our LSAV joint venture) and strong regional locations (developed on balance sheet). Returns on new projects in strong regional locations remain attractive (9.5-10% yield on cost) although returns on potential new projects in London remain below our hurdle rate due to higher alternative use values for prospective sites and high planning costs.

We made good progress with our development activity in the first half of the year with all active projects remaining on time and in line with budget and several new projects secured. Our current pipeline is summarised below:

		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 City	London	1,001	102	64	11	1	0	11.2%
St Pancras Way	London	571	85	59	8	1	2	9.8%
Total London (wholly owned)		**1,572**	**187**	**123**	**19**	**2**	**2**	**10.5%**
Regional								
2014 completions								
Kingsmill Lane	Huddersfield	378	19	14	5	1	0	10.1%
2015 completions								
Trenchard Street	Bristol	483	35	26	8	15	3	9.9%
2016 completions								
Newgate Street	Newcastle	606	42	31	0	31	11	9.6%
Causewayend	Aberdeen	346	26	20	0	20	6	9.5%
St Leonards	Edinburgh	550	50	38	0	38	12	9.5%
Greetham Street	Portsmouth	759	47	36	1	35	11	9.4%
Total Regional (wholly owned)		**3,122**	**219**	**165**	**14**	**140**	**43**	**9.6%**
LSAV								
2015 completions								
Angel Lane	London	759	84	54	8	27	15	9.3%
2016 completions								
Stapleton House	London	862	109	85	33	51	16	8.8%
Olympic Way	London	696	62	48	9	39	10	8.8%
Total LSAV		**2,317**	**255**	**187**	**50**	**117**	**41**	**9.0%**
Unite share of LSAV		**1,159**	**128**	**94**	**25**	**59**	**21**	**9.0%**
Total pipeline (Unite share)		**5,853**	**534**	**382**	**58**	**201**	**66**	**9.6%**

Following the success of securing four excellent regional sites in Aberdeen, Edinburgh, Newcastle and Portsmouth during the period, our planned programme of 2016 completions is established and we are now focused on securing strong regional projects for 2017 completion which will be funded from the proceeds of the recent share placing. The prospect of rising land values is encouraging some vendors to delay land sales, which has slowed the rate at which new projects are being secured, but we have recently secured two strong opportunities under lock-out agreements (for a combined 1,000 beds) and have a healthy pipeline of further opportunities in line with our target returns. We expect to secure a 2017 regional pipeline of similar size and quality to our 2016 projects over the next six months.

Within LSAV we have three secured development projects (in Stratford, Islington and Wembley) and planning consents and debt facilities are now in place for all three schemes. Construction is progressing well at Angel Lane and we will be starting on site at Stapleton House and Olympic Way shortly. Together these three schemes represent approximately 60% of LSAV's total target development pipeline and have been secured at returns in line with our target levels. As flagged previously, with London land values escalating and clear signs of construction cost inflation, we consider it unlikely that LSAV will commit to further development projects this year.

Our development pipeline remains a source of significant future value and earnings growth and the table below summarises its potential impact on future NAV and earnings per share:

	Illustrative returns (by 2018)	
	Future NAVps	Future EPS
Secured London projects (wholly owned)	1	3
Secured regional projects (wholly owned)	21	6
Secured LSAV projects	10	3
Total secured pipeline	32	12
Target regional pipeline	23	5
Secured and target pipeline	55	17

Asset disposals

Periodic asset disposals continue to be a feature of our strategy as we seek to recycle assets to manage both portfolio quality and leverage. We expect to sell approximately £50 million of assets each year (Unite share) although in 2014 this will be higher due the sale of the OCB joint venture assets. We will continue to keep our asset disposal plans under review given the prospect of strengthening yields.

We have made good progress with our ongoing asset disposal activity as shown below.

Total asset sales in year to date

	Gross		Unite share	
	Proceeds	Book value	Proceeds	Book value
	£m	£m	£m	£m
Completed / exchanged				
Wholly owned	36	36	36	36
UCC	32	33	11	11
OCB	174	174	44	44
Total	**242**	**243**	**91**	**91**

Acquisitions

In July 2014 USAF acquired a 3,000 bed student accommodation portfolio for £137 million. The acquisition was funded through a combination of cash resources and existing debt facilities and follows USAF's recent fund raising in March 2014. The nine assets acquired increased USAF's property portfolio value by 10% from £1.375 billion to £1.512 billion. Two of the properties were already operated by Unite under sale and leaseback arrangements so the Group's operational portfolio increased by a net 2,000 bed spaces as a result of the acquisition. These two assets (in Bath and Portsmouth) benefit from long term agreements with universities and offer significant reversionary potential.

The acquisition is immediately accretive to USAF's and Unite's earnings. Our share of incremental earnings together with additional management and acquisition fees is expected to add approximately £2 million (1 pence per share) to the Group's EPRA earnings for the remainder of 2014 and a similar ongoing level each year on a recurring basis.

FINANCIAL PERFORMANCE

Income statement

EPRA earnings is the key income performance measure for the Group and 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 after tax measure.

	30 June 2014 £m	30 June 2013 £m	31 Dec 2013 £m
EPRA earnings	20.4	15.2	30.6
Valuation gains and profit / loss on disposal	25.3	20.5	46.9
Changes in valuation of interest rate swaps and debt break costs	(2.0)	1.0	(1.3)
Minority interest and tax adjustments	(0.1)	0.7	1.8
Profit after tax	**43.6**	**37.4**	**78.0**
EPRA earnings per share	10.9p	9.3p	18.0p

EPRA earnings of £20.4 million for the six months to 30 June 2014 (30 June 2013: £15.2 million) is stated after deducting tax charges, share option costs and abortive / pre-contract development spend. A full reconciliation of EPRA earnings to profit attributable to the owners of the parent company is given in Section 2 of the financial statements.

The EPRA EPS yield for the six months to 30 June 2014 was 2.9% and with rental growth, new openings from September and the full year impact of USAF's recent portfolio acquisition to be recognised we are now targeting a 4.5% EPS yield on NAV for the full year, a year ahead of plan.

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. A deferred tax asset of £1.6 million and a deferred tax liability of £1.0 million have been recognised in the Group's balance sheet representing the amount of tax that the Group believes it will be able to offset over the next three years with its brought forward losses. Deferred tax assets of a further £5.1 million have not been recognised on the Group's balance sheet due to the uncertainty of future profits in the relevant companies and the ability to offset the losses against them.

The existence of the brought forward losses means that the Group is unlikely to incur meaningful levels of tax within the next three years.

Cashflow and net debt

The Operations business has generated £24.3 million of net cash in the six months to 30 June 2014 (30 June 2013: £14.0 million) and see through net debt increased marginally to £670 million (31 December 2013: £666 million). The key components of the movement in net debt were the share placing, operational cashflow and the disposal programme (generating total inflows of £167 million on a see through basis) offset by total capital expenditure of £42 million, dividends paid of £6 million and an increase in our share of co-investment vehicle net debt of £123 million as a result of our increased ownership levels.

Dividend

We are declaring an interim dividend payment of 2.2 pence per share (June 2013: 1.6 pence), an increase of 37.5% over 2013. Our dividend policy is to pay out approximately 35-40% of EPRA earnings each year although we will consider increasing this at the full year.

The dividend will be paid on 7 November 2014 to shareholders on the register at close of business on 10 October 2014.

Share placing

We completed a placing and open offer of 24.5 million new ordinary shares in March 2014 at a price of 410 pence per share, raising net proceeds of £96 million. Approximately half of the proceeds were used to increase our share in USAF to 21% while the remainder will be used to extend our highly targeted regional development programme. We expect capital to be allocated to projects over the next six months and for those projects to be completed by 2017.

The placing increased NAV at 30 June 2014 by 1 pence per share as the shares were issued at a 7% premium to the December 2013 net asset value. From an EPS perspective the impact across 2014 should be broadly neutral as the income return from the investment in USAF broadly offsets the impact of raising capital to invest into development activities in future years. In the medium term we expect the additional regional developments to be materially accretive to EPS.

Debt financing

During the period we have maintained our focus on controlling gearing levels, extending debt maturities and minimising financing costs:

Key debt statistics (see through basis)	30 June 2014	30 June 2013	31 Dec 2013
Net debt	£670m	£619m	£666m
LTV	44%	48%	49%
Average debt maturity	7.2 years	4.6 years	7.1 years
Average cost of debt	4.7%	5.3%	4.7%
Proportion of investment debt at fixed rate	98%	84%	86%

As a result of the recent refinancing activity, the Group's debt maturity has improved significantly and the weighted average loan maturity is now 7.2 years (30 June 2013: 4.6 years) with no significant maturities before 2018.

The Group's see through LTV reduced to 44% at 30 June 2014 from 49% at the end of 2013. We will continue to manage our gearing proactively and intend to reduce the LTV towards 40% over time, assuming constant yields. In the event that we experience yield compression in property values from current levels we will review our target LTV threshold downwards accordingly.

Covenant headroom

We are in full compliance with all of our borrowing covenants at 30 June 2014. Our debt facilities include loan to value, minimum net worth and interest cover covenants that are measured at both a Group and an individual portfolio level and we have maintained significant headroom against all measures. Covenant headroom will reduce as surplus capital is deployed into new development opportunities but we intend to maintain substantial headroom against all covenants.

Interest rate hedging arrangements and cost of debt

Our see through cost of debt has reduced to 4.7% (30 June 2013: 5.3%) primarily as a result of the refinancing activity completed in 2013.

The Group now has 98% of its see through investment debt subject to a fixed interest rate (30 June 2013: 84%). 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 £3.4 million (30 June 2013: £7.3 million) in line with expectations. We do not expect to incur further break costs during the remainder of the year as our refinancing programme has now been completed.

Funds and joint ventures

We have made further progress simplifying our balance sheet during the first half of the year. The table below summarises the key financials for each vehicle:

Vehicle	Property Assets £'m	Net debt £'m	Other assets £'m	Net assets £'m	Unite share of NAV £'m	LTV	Maturity	Unite share
USAF	1,375	(466)	(26)	883	183	34%	Infinite	21%
LSAV / UCC	511	(204)	(49)	258	129	40%	2022	50%

The co-investment vehicles performed well in the six months to 30 June 2014, broadly in line with overall Group performance.

USAF has raised £58 million of third party capital since the start of the year. In addition Unite invested £57 million of capital as part of the equity raising process increasing our stake to 21%. These proceeds were invested into the acquisition of a 3,000 bed portfolio in July for a total consideration of £137 million (not included in the financials above). The portfolio is complementary to USAF's existing assets and is expected to enhance the income and total return of the Fund with immediate effect.

The sale of the properties from the OCB joint venture was completed in May. The proceeds were reinvested in the UCC joint venture, increasing our stake to 50% and thereby allowing the merger with the LSAV joint venture to take place later this year. For presentational purposes these two joint ventures have been merged in this report. The legal merger is expected to be completed by the end of this year and therefore our investments in co-investment vehicles will have been reduced from four to two.

OUTLOOK

The medium term outlook for our sector and business is firmly positive. Government policy is supportive of increasing university student numbers, leading to a solid rental growth outlook, and we have an excellent development pipeline being delivered over the next few years into a strong market.

Our strong performance year to date coupled with USAF's recent portfolio acquisition means that we are accelerating our declared EPS yield target by a year and are now targeting a 4.5% EPS yield on opening NAV for 2014. For 2015 and beyond the positive rental growth outlook, our high quality development pipeline, scalable cost base and fixed low cost of debt provide excellent visibility of further prospective earnings growth. We continue to look forward with confidence.

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

28 August 2014

Introduction and table of contents

Whilst these financial statements are prepared in accordance with IFRS, the Board of Directors manage the business based on the adjusted results being EPRA earnings and EPRA net asset value (NAV) which can be found in section 2. The adjusted results are aligned with the European Real Estate Association (EPRA) best practice recommendations.

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

Consolidated income statement

For the 6 months to 30 June 2014

	Note	**Unaudited 6 months to 30 June 2014 Total £m**	Unaudited 6 months to 30 June 2013 Total £m	Year to 31 December 2013 Total £m
Rental income	2.4	45.0	42.1	81.0
Property sales and other income	2.4	12.9	5.5	20.6
Total revenue		57.9	47.6	101.6
Cost of sales		(27.7)	(18.2)	(41.8)
Operating expenses		(12.2)	(9.1)	(23.4)
Results from operating activities		18.0	20.3	36.4
Loss on disposal of property		(0.4)	(1.1)	(1.0)
Net valuation gains on property	3.1	14.0	12.8	35.4
Profit before net financing income / (costs)		31.6	32.0	70.8
Loan interest and similar charges		(10.5)	(9.7)	(19.3)
Mark to market changes in interest rate swaps		(1.0)	0.5	0.7
Finance costs		(11.5)	(9.2)	(18.6)
Finance income		0.5	11.7	15.7
Net financing income / (costs)		(11.0)	2.5	(2.9)
Share of joint venture profit	3.3a	24.0	3.0	9.2
Profit before tax		44.6	37.5	77.1
Tax		–	0.4	2.2
Profit for the period		44.6	37.9	79.3
Profit for the period attributable to				
Owners of the parent company	2.2c	43.6	37.4	78.0
Minority interest		1.0	0.5	1.3
		44.6	37.9	79.3
Earnings per share				
Basic	2.2c	23.4p	23.0p	46.0p
Diluted	2.2c	23.1p	23.0p	46.0p

Consolidated statement of comprehensive income

For the 6 months to 30 June 2014

	Unaudited 6 months to 30 June 2014 £m	Unaudited 6 months to 30 June 2013 £m	Year to 31 December 2013 £m
Profit for the period	44.6	37.9	79.3
Movements in effective hedges	–	0.3	0.7
Gains on hedging instruments transferred to income statement	1.2	–	–
Share of joint venture movements in effective hedges	(0.1)	2.4	3.6
Share of joint venture movement on hedging instruments transferred to income statement	–	–	2.9
Other comprehensive income for the period	1.1	2.7	7.2
Total comprehensive income for the period	45.7	40.6	86.5
Attributable to			
Owners of the parent company	44.7	39.9	84.9
Minority interest	1.0	0.7	1.6
	45.7	40.6	86.5

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 2014

	Note	Unaudited 30 June 2014 £m	Unaudited 30 June 2013 £m	31 December 2013 £m
Assets				
Investment property	3.1	782.8	766.1	767.6
Investment property under development	3.1	117.7	53.7	95.5
Investment in joint ventures	3.3a	331.9	208.4	237.2
Joint venture investment loans	3.3a	–	10.5	10.2
Other non-current assets		8.8	5.6	7.3
Deferred tax asset		1.6	–	0.6
Total non-current assets		1,242.8	1,044.3	1,118.4
Properties under development	3.1	67.4	39.8	61.5
Inventories	3.2	3.2	3.8	3.2
Trade and other receivables		38.4	42.6	50.0
Cash and cash equivalents		18.5	55.3	43.2
Total current assets		127.5	141.5	157.9
Total assets		1,370.3	1,185.8	1,276.3
Liabilities				
Borrowings	4.1	(1.3)	(115.2)	(29.7)
Interest rate swaps	4.2	(0.9)	(0.3)	(2.0)
Trade and other payables		(69.4)	(71.3)	(85.2)
Current tax creditor		(0.4)	(0.3)	(0.3)
Total current liabilities		(72.0)	(187.1)	(117.2)
Borrowings	4.1	(487.9)	(365.4)	(483.7)
Interest rate swaps	4.2	(1.5)	(14.2)	(3.4)
Deferred tax liability		(1.0)	–	–
Total non-current liabilities		(490.4)	(379.6)	(487.1)
Total liabilities		(562.4)	(566.7)	(604.3)
Net assets		807.9	619.1	672.0
Equity				
Issued share capital		50.3	44.1	44.2
Share premium		385.2	295.2	295.3
Merger reserve		40.2	40.2	40.2
Retained earnings		304.4	227.7	266.0
Hedging reserve		(0.7)	(6.2)	(1.8)
Equity portion of convertible instrument		9.4	–	9.4
Equity attributable to the owners of the parent company		788.8	601.0	653.3
Minority interest		19.1	18.1	18.7
Total equity		807.9	619.1	672.0

Consolidated statement of changes in shareholders' equity

For the 6 months to 30 June 2014

	Issued share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Hedging reserve £m	Equity portion of convertible instrument £m	Attributable to owners of the parent £m	Minority interest £m	Total £m
At 1 January 2014	44.2	295.3	40.2	266.0	(1.8)	9.4	653.3	18.7	672.0
(Unaudited)									
Profit for the period	–	–	–	43.6	–	–	43.6	1.0	44.6
Other comprehensive income for the period	–	–	–	–	1.1	–	1.1	–	1.1
Total comprehensive income for the period	–	–	–	43.6	1.1	–	44.7	1.0	45.7
Shares issued	6.1	89.9	–	–	–	–	96.0	–	96.0
Fair value of share based payments	–	–	–	1.1	–	–	1.1	–	1.1
Dividends paid to owners of the parent company	–	–	–	(6.3)	–	–	(6.3)	–	(6.3)
Dividends to minority interest	–	–	–	–	–	–	–	(0.6)	(0.6)
At 30 June 2014	50.3	385.2	40.2	304.4	(0.7)	9.4	788.8	19.1	807.9

	Issued share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Hedging reserve £m	Equity portion of convertible instrument £m	Attributable to owners of the parent £m	Minority interest £m	Total £m
At 1 January 2013	40.1	249.2	40.2	195.0	(8.7)	–	515.8	17.9	533.7
(Unaudited)									
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	Equity portion of convertible instrument £m	Attributable to owners of the parent £m	Minority interest £m	Total £m
At 1 January 2013	40.1	249.2	40.2	195.0	(8.7)	–	515.8	17.9	533.7
Profit for the period	–	–	–	78.0	–	–	78.0	1.3	79.3
Other comprehensive income for the period	–	–	–	–	6.9	–	6.9	0.3	7.2
Total comprehensive income for the period	–	–	–	78.0	6.9	–	84.9	1.6	86.5
Shares issued	4.1	46.1	–	–	–	–	50.2	–	50.2
Fair value of share based payments	–	–	–	1.1	–	–	1.1	–	1.1
Own shares acquired	–	–	–	(0.6)	–	–	(0.6)	–	(0.6)
Equity arising on issue of convertible bond	–	–	–	–	–	9.4	9.4	–	9.4
Dividends paid to owners of the parent company	–	–	–	(7.5)	–	–	(7.5)	–	(7.5)
Dividends to minority interest	–	–	–	–	–	–	–	(0.8)	(0.8)
At 31 December 2013	44.2	295.3	40.2	266.0	(1.8)	9.4	653.3	18.7	672.0

Consolidated statement of cash flows

For the 6 months to 30 June 2014

	Unaudited 6 months to 30 June 2014 £m	Unaudited 6 months to 30 June 2013 £m	Year to 31 December 2013 £m
Cash flows from operating activities	10.2	8.8	5.9
Cash flows from taxation	(0.2)	(0.5)	(0.7)
Investing activities			
Proceeds from sale of investment property	(0.4)	(0.5)	11.8
Advances on loans to joint ventures	–	(1.4)	(1.4)
Dividends received	13.3	4.9	9.9
Interest received	0.1	0.1	0.3
Repayment of loan to joint ventures	10.7	–	–
Loans to joint ventures	(10.8)	–	–
Investment in joint ventures	(73.3)	–	(11.8)
Acquisition of intangible assets	(2.0)	(0.5)	(2.2)
Acquisition of property	(21.6)	(7.3)	(38.4)
Acquisition of plant and equipment	(0.8)	(1.1)	(2.3)
Cash flows from investing activities	(84.8)	(5.8)	(34.1)
Financing activities			
Total interest paid	(11.8)	(11.7)	(24.2)
Interest capitalised into inventory and property under development included in cash flows from operating activities	2.8	1.2	3.2
Interest paid in respect of financing activities	(9.0)	(10.5)	(21.0)
Ineffective swap payments	(3.6)	(8.3)	(16.7)
Proceeds from the issue of share capital	96.0	50.0	59.6
Payments to acquire own shares	–	(0.5)	(0.6)
Proceeds from non-current borrowings	124.5	27.3	149.8
Repayment of borrowings	(150.9)	(75.4)	(166.1)
Dividends paid to the owners of the parent company	(6.3)	(4.7)	(7.5)
Dividends paid to minority interest	(0.6)	(0.5)	(0.8)
Cash flows from financing activities	50.1	(22.6)	(3.3)
Net decrease in cash and cash equivalents	(24.7)	(20.1)	(32.2)
Cash and cash equivalents at start of period	43.2	75.4	75.4
Cash and cash equivalents at end of period	18.5	55.3	43.2

Notes to the interim financial statements

Section 1: Basis of preparation

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

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

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 2013.

The Group has adopted IFRS 10 "Consolidated Financial Statements" and IFRS 11 "Joint Arrangements", neither of which have had any significant impact on the Group's financial statements.

The comparative figures for the financial year ended 31 December 2013 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 2013. 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 pages 26 to 29 of the Annual Report for the year ended 31 December 2013.

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 on pages 1 to 16.

The Group has prepared cash flow projections until the end of 2016. Following the significant level of financing activity that has been completed over the last two years, the Group has significant levels of cash headroom. The Group has borrowing facilities expiring in the second half of 2015 and is in discussions with a number of its relationship banks about renewing these facilities. The Group has historically maintained positive relationships with its lending banks and has secured facilities before maturity dates. The Group is in full compliance with its borrowing covenants at 30 June 2014.

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 Operations 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.

EPRA earnings 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. The Group's adjusted earnings and net asset value are aligned with the European Real Estate Association (EPRA) best practice recommendations.

EPRA performance measures

	Note	Unaudited 30 June 2014 £m	Unaudited 30 June 2013 £m	31 December 2013 £m
EPRA earnings	2.2a	20.4	15.2	30.6
EPRA earnings per share (pence)	2.2c	10.9p	9.3p	18.0p
EPRA NAV	2.3a	816.5	644.2	681.6
EPRA NAV per share (pence)	2.3d	402p	361p	382p
EPRA NNNAV	2.3c	802.1	623.1	665.5
EPRA NNNAV per share (pence)	2.3d	395p	349p	373p

2.1 Segmental information
The Board of Directors monitor the business along two activity lines, Operations and Property. The reportable segments for the 6 months ended 30 June 2014 and 30 June 2013 and for the year ended 31 December 2013 are Operations and Property.

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

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

2.2 Earnings
The Operations segment manages rental properties, owned directly by the Group or by joint ventures. Its revenues are derived from rental income and asset management fees earned from joint ventures. The way in which the Operations segment adds value to the business is set out on pages 30 – 31 of the 2013 Annual Report. The Operations segment is the main contributor to EPRA earnings and EPRA EPS and these are therefore the key indicators which are used by the Board to manage the Operations business. EPRA earnings and EPRA EPS are reported on the basis recommended for real estate companies by EPRA, the European Real Estate Association.

The Board does not manage or monitor the Operations segment through the balance sheet and therefore no segmental information for assets and liabilities is provided for the Operations segment.

a) EPRA earnings

Unaudited 30 June 2014

	UNITE	Share of joint ventures				Group on see through basis
	Total £m	USAF £m	UCC/LSAV £m	OCB £m	Total £m	Total £m
Rental income	45.0	11.9	5.9	1.2	19.0	64.0
Property operating expenses	(11.2)	(3.2)	(0.8)	(0.2)	(4.2)	(15.4)
Net operating income	33.8	8.7	5.1	1.0	14.8	48.6
Management fees	6.9	(0.8)	(0.9)	(0.1)	(1.8)	5.1
Operating expenses	(9.6)	(0.1)	(0.1)	–	(0.2)	(9.8)
	31.1	7.8	4.1	0.9	12.8	43.9
Operating lease rentals*	(7.0)	–	–	–	–	(7.0)
Net financing costs	(9.6)	(2.4)	(1.7)	(0.5)	(4.6)	(14.2)
Operations segment result	14.5	5.4	2.4	0.4	8.2	22.7
Property segment result	(1.2)	–	–	–	–	(1.2)
Unallocated to segments	(1.5)	0.4	–	–	0.4	(1.1)
EPRA earnings	11.8	5.8	2.4	0.4	8.6	20.4

Included in the above is rental income of £10.8 million and property operating expenses of £2.6 million relating to sale and leaseback properties.
The unallocated to segments includes the fair value of share based payments of (£1.1 million), UNITE Foundation of (£0.2 million), share of monies received from Landsbanki of £0.4 million and current tax charges of (£0.2 million).

Unaudited 30 June 2013

	UNITE	Share of joint ventures				Group on see through basis
	Total £m	USAF £m	UCC/LSAV £m	OCB £m	Total £m	Total £m
Rental income	42.1	9.7	5.2	1.3	16.2	58.3
Property operating expenses	(11.0)	(2.4)	(0.6)	(0.2)	(3.2)	(14.2)
Net operating income	31.1	7.3	4.6	1.1	13.0	44.1
Management fee	6.8	(0.7)	(0.7)	(0.2)	(1.6)	5.2
Operating expenses	(8.3)	(0.1)	–	–	(0.1)	(8.4)
	29.6	6.5	3.9	0.9	11.3	40.9
Operating lease rentals*	(6.7)	–	–	–	–	(6.7)
Net financing costs	(12.5)	(2.6)	(2.2)	(0.7)	(5.5)	(18.0)
Operations segment result	10.4	3.9	1.7	0.2	5.8	16.2
Property segment result	(0.1)	–	–	–	–	(0.1)
Unallocated to segments	(0.9)	–	–	–	–	(0.9)
EPRA earnings	9.4	3.9	1.7	0.2	5.8	15.2

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.
The unallocated to segments includes the fair value of share based payments of (£0.5 million), UNITE Foundation of (£0.1 million) and current tax charges of (£0.3 million).

31 December 2013

	UNITE	Share of joint ventures				Group on see through basis
	Total £m	USAF £m	UCC/LSAV £m	OCB £m	Total £m	Total £m
Rental income	81.0	19.1	10.5	2.8	32.4	113.4
Property operating expenses	(25.1)	(5.5)	(1.4)	(0.4)	(7.3)	(32.4)
Net operating income	55.9	13.6	9.1	2.4	25.1	81.0
Management fees	13.7	(1.4)	(1.4)	(0.3)	(3.1)	10.6
Operating expenses	(18.5)	(0.2)	(0.2)	(0.1)	(0.5)	(19.0)
	51.1	12.0	7.5	2.0	21.5	72.6
Operating lease rentals*	(13.7)	–	–	–	–	(13.7)
Net financing costs	(23.1)	(4.7)	(4.1)	(1.4)	(10.2)	(33.3)
Operations segment result	14.3	7.3	3.4	0.6	11.3	25.6
Property segment result	(3.3)	–	–	–	–	(3.3)
Promote fee	7.5	–	–	–	–	7.5
Other	(1.5)	2.3	–	–	2.3	0.8
Unallocated to segments	6.0	2.3	–	–	2.3	8.3
EPRA earnings	17.0	9.6	3.4	0.6	13.6	30.6
EPRA earnings pre UCC promote fee	9.5	9.6	3.4	0.6	13.6	23.1

Included in the above is rental income of £19.7 million and property operating expenses of £6.4 million relating to sale and leaseback properties.
The unallocated to segments includes the fair value of share based payments of (£1.1 million), UNITE Foundation of (£0.5 million), share of monies received from Landsbanki of £2.3 million, deferred tax of £0.6 million and current tax charges of (£0.4 million).

* 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) EPRA earnings IFRS reconciliation

The EPRA 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 EPRA earnings reconcile to the profit reported under IFRS as follows:

	Note	Unaudited 6 months to 30 June 2014 £m	Unaudited 6 months to 30 June 2013 £m	Year to 31 December 2013 £m
EPRA earnings	2.2a	20.4	15.2	30.6
Net valuation gains on investment property		14.0	12.8	35.4
Property disposals and write downs		(2.4)	(1.5)	(1.9)
Share of joint venture gains on investment property	3.3a	14.5	9.3	13.5
Share of joint venture property disposals and write downs		(0.8)	(0.1)	(0.1)
Mark to market changes in interest rate swaps*		(1.0)	0.5	0.7
Interest rate swap payments on ineffective hedges*		0.7	2.8	4.4
Debt exit costs		(1.6)	–	(0.4)
Share of joint venture changes in fair value of interest rate swaps	3.3a	–	(0.3)	(3.8)
Share of joint venture debt exit costs	3.3a	(0.1)	(2.0)	(2.2)
Deferred tax relating to interest rate swap movement		0.3	0.7	2.1
Share of joint venture deferred tax credit	3.3a	–	–	–
Minority interest share of reconciling items**		(0.4)	–	(0.3)
Profit attributable to owners of the parent company		43.6	37.4	78.0

* Within IFRS reported profit, there is a £1.0 million loss (2013: £0.5 million profit) relating to movements in the mark to market of ineffective interest rate swaps. Part of this movement, £0.7 million (2013: £2.8 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 Operations 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.

c) Earnings per share

The EPS calculation is based on the earnings attributable to the equity shareholders of UNITE Group plc and the weighted average number of shares which have been in issue during the period. Basic EPS is adjusted in line with EPRA guidelines in order to 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. EPRA EPS and EPRA EPS pre UCC promote fee are calculated using EPRA earnings.

The calculations of basic, diluted and EPRA EPS for the 6 months ended 30 June 2014 is as follows:

	Note	Unaudited 6 months to 30 June 2014 £m	Unaudited 6 months to 30 June 2013 £m	Year to 31 December 2013 £m
Earnings				
Basic (and diluted)		43.6	37.4	78.0
EPRA	2.2a	20.4	15.2	30.6
EPRA pre UCC promote fee		20.4	15.2	23.1
Weighted average number of shares (thousands)				
Basic		186,412	162,443	169,561
Dilutive potential ordinary shares (share options)		2,148	232	255
Diluted		188,560	162,675	169,816
Earnings per share (pence)				
Basic		23.4p	23.0p	46.0p
Diluted		23.1p	23.0p	46.0p
EPRA EPS		10.9p	9.3p	18.0p
EPRA EPS pre UCC promote fee		10.9p	9.3p	13.6p

Movements in the weighted average number of shares have resulted from the placing in March 2014 and the issue of shares arising from the employee share based payment schemes.

The placing comprised 24,500,000 shares and gave rise to proceeds of £100.5 million, £96.0 million net of issue costs.

2.3 Net Assets

The Group's Property business undertakes the acquisition and development of properties. The Property segment's revenue comprises revenue from development management fees earned from joint ventures. The way in which the Property segment adds value to the business is set out on pages 32 - 37 of the 2013 Annual Report. EPRA NAV, reported on the basis recommended for real estate companies by EPRA is the key indicator used by the board to manage the Property business.

a) EPRA net assets

	Unaudited 30 June 2014		
	Wholly owned £m	Share of JV's £m	Total £m
Investment properties	782.8	492.1	1,274.9
Investment properties under development	117.7	48.3	166.0
Properties under development (at market value)	92.5	–	92.5
Total property portfolio	993.0	540.4	1,533.4
Debt on properties (net of cash)	(470.7)	(198.9)	(669.6)
Other liabilities	(18.9)	(28.4)	(47.3)
EPRA net assets	503.4	313.1	816.5
Loan to value (%)	47	37	44

	Unaudited 30 June 2013		
	Wholly owned £m	Share of JV's £m	Total £m
Investment 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
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)
EPRA net assets	438.2	206.0	644.2
Loan to value (%)	48	47	48

	31 December 2013		
	Wholly owned £m	Share of JV's £m	Total £m
Investment properties	767.6	407.6	1,175.2
Investment properties under development	95.5	15.1	110.6
Properties under development (at market value)	84.3	–	84.3
Total property portfolio	947.4	422.7	1,370.1
Debt on properties (net of cash)	(470.2)	(195.9)	(666.1)
Other liabilities	(24.4)	2.0	(22.4)
EPRA net assets	452.8	228.8	681.6
Loan to value (%)	50	46	49

b) Movement in EPRA NAV during the period
Contributions to EPRA NAV by each segment during the period is as follows:

Unaudited 30 June 2014

	UNITE	Share of joint ventures				Group on see through basis
	Total £m	USAF £m	UCC/LSAV £m	OCB £m	Total £m	Total £m
Operations						
Operations segment result	14.5	5.4	2.4	0.4	8.2	22.7
Property						
Rental growth	7.0	2.2	2.6	–	4.8	11.8
Yield movement	4.8	1.5	0.9	–	2.4	7.2
Disposals and acquisition costs	(3.9)	–	1.2	(0.5)	0.7	(3.2)
Investment property gains	7.9	3.7	4.7	(0.5)	7.9	15.8
Development property gains	4.4	–	7.1	–	7.1	11.5
Pre-contract and other development costs	(1.2)	–	–	–	–	(1.2)
Total property	11.1	3.7	11.8	(0.5)	15.0	26.1
Unallocated						
Shares issued	96.0	–	–	–	–	96.0
Investment in joint ventures	(60.8)	50.7	27.7	(17.6)	60.8	–
Dividends paid	(6.3)	–	–	–	–	(6.3)
Swap losses and debt exit costs	(3.3)	–	–	(0.1)	(0.1)	(3.4)
Other	(0.5)	0.4	–	(0.1)	0.3	(0.2)
Total unallocated	25.1	51.1	27.7	(17.8)	61.0	86.1
Total EPRA NAV movement in the period	50.7	60.2	41.9	(17.9)	84.2	134.9
Total EPRA NAV brought forward	452.7	124.6	86.2	18.1	228.9	681.6
Total EPRA NAV carried forward	503.4	184.8	128.1	0.2	313.1	816.5

Unaudited 30 June 2013

	UNITE	Share of joint ventures				Group on see through basis
	Total £m	USAF £m	UCC/LSAV £m	OCB £m	Total £m	Total £m
Operations						
Operations segment result	10.4	3.9	1.7	0.2	5.8	16.2
Property						
Rental growth	9.8	1.9	1.8	–	3.7	13.5
Yield movement	(3.3)	(0.1)	0.5	–	0.4	(2.9)
Disposals and acquisition costs	(1.7)	–	–	–	–	(1.7)
Investment property gains	4.8	1.8	2.3	–	4.1	8.9
Development property gains	11.0	–	4.7	–	4.7	15.7
Pre-contract and other development costs	(0.1)	–	–	–	–	(0.1)
Total property	15.7	1.8	7.0	–	8.8	24.5
Unallocated						
Shares issued	50.0	–	–	–	–	50.0
Investment in joint ventures	2.9	(3.1)	(1.2)	1.4	(2.9)	–
Dividends paid	(4.7)	–	–	–	–	(4.7)
Swap losses and debt exit costs	(5.3)	(2.0)	–	–	(2.0)	(7.3)
Purchase of own shares	(0.5)	–	–	–	–	(0.5)
Other	(0.5)	0.1	(0.1)	–	–	(0.5)
Total unallocated	41.9	(5.0)	(1.3)	1.4	(4.9)	37.0
Total EPRA NAV movement in the period	68.0	0.7	7.4	1.6	9.7	77.7
Total EPRA NAV brought forward	370.2	119.4	60.5	16.4	196.3	566.5
Total EPRA NAV carried forward	438.2	120.1	67.9	18.0	206.0	644.2

31 December 2013

	UNITE	Share of joint ventures				Group on see through basis
	Total £m	USAF £m	UCC/LSAV £m	OCB £m	Total £m	Total £m
Operations						
Operations segment result	14.3	7.3	3.4	0.6	11.3	25.6
Property						
Rental growth	20.5	3.3	–	(0.4)	2.9	23.4
Yield movement	1.2	1.5	2.6	–	4.1	5.3
Disposals and acquisition costs	(2.7)	(0.1)	–	–	(0.1)	(2.8)
Investment property gains	19.0	4.7	2.6	(0.4)	6.9	25.9
Development property gains	18.4	–	5.7	–	5.7	24.1
Pre-contract and other development costs	(3.3)	–	–	–	–	(3.3)
Total property	34.1	4.7	8.3	(0.4)	12.6	46.7
Unallocated						
Shares issued	50.2	–	–	–	–	50.2
Investment in joint ventures	(12.4)	(5.4)	16.5	1.3	12.4	–
Dividends paid	(7.5)	–	–	–	–	(7.5)
Equity portion of convertible instruments	9.4	–	–	–	–	9.4
UCC promote fee	7.5	–	–	–	–	7.5
Swap losses and debt exit costs	(12.4)	(3.7)	(2.3)	–	(6.0)	(18.4)
Purchase of own shares	(0.6)	–	–	–	–	(0.6)
Other	(0.1)	2.3	(0.2)	0.2	2.3	2.2
Total unallocated	34.1	(6.8)	14.0	1.5	8.7	42.8
Total EPRA NAV movement in the period	82.5	5.2	25.7	1.7	32.6	115.1
Total EPRA NAV brought forward	370.2	119.4	60.5	16.4	196.3	566.5
Total EPRA NAV carried forward	452.7	124.6	86.2	18.1	228.9	681.6

c) EPRA NAV IFRS reconciliation

EPRA NAV excludes the mark to market valuation of swaps, deferred tax liabilities and recognises all properties at market value. These are the main differences between EPRA NAV and Net assets reported under IFRS.

The Group also manages NAV using EPRA NNNAV, which adjusted EPRA NAV to include the fair value of swaps and debt. This is considered to give stakeholders the most relevant information on the current fair value of all the assets and liabilities within in the Group.

	Note	Unaudited 6 months to 30 June 2014 £m	Unaudited 6 months to 30 June 2013 £m	Year to 31 December 2013 £m
Net asset value reported under IFRS		788.8	601.0	653.3
Recognise valuation gain on property held at cost		25.1	23.4	22.8
Mark to market interest rate swaps		2.6	19.8	5.5
EPRA NAV	2.3a	816.5	644.2	681.6
Mark to market of fixed rate debt		(11.8)	(1.3)	(10.6)
Mark to market interest rate swaps		(2.6)	(19.8)	(5.5)
EPRA NNNAV		802.1	623.1	665.5

d) NAV per share

NAV is based on the net assets attributable to the equity shareholders of Unite Group plc and the weighted average number of shares which have been in issue during the period. The Board uses EPRA NAV and EPRA NNNAV to monitor the performance of the Property segment on a day to day basis.

	Note	Unaudited 30 June 2014 £m	Unaudited 30 June 2013 £m	31 December 2013 £m
Net assets				
Basic	2.3c	788.8	601.0	653.3
EPRA pre-dilution	2.3a	816.5	644.2	681.6
EPRA diluted		818.4	646.2	683.7
EPRA NNNAV (diluted)		804.0	625.1	667.6
Number of shares (thousands)				
Basic		201,435	176,527	176,658
Outstanding share options		2,029	2,622	2,457
Diluted		203,464	179,149	179,115
Net asset value per share (pence)				
Basic		392p	340p	370p
EPRA pre dilution		405p	365p	386p
EPRA (fully diluted)		402p	361p	382p
EPRA NNNAV (fully diluted)		395p	349p	373p

2.4. Revenue and costs

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

		Note	Unaudited 6 months to 30 June 2014 £m	Unaudited 6 months to 30 June 2013 £m	Year to 31 December 2013 £m
Rental income	Operations segment	2.2a	45.0	42.1	81.0
Management fees	Operations segment		5.5	5.6	11.2
Development fees	Property segment		2.3	–	2.1
Property sales	Unallocated		5.2	–	–
UCC promote fee	Unallocated		–	–	7.5
			58.0	47.7	101.8
Impact of minority interest on management fees			(0.1)	(0.1)	(0.2)
Total revenue			57.9	47.6	101.6

The cost of sales included in the consolidated income statement includes property operating expenses of £11.2 million (June 2013: £11.0 million), operating lease rentals of £7.0 million (June 2013: £6.7 million), costs associated with development fees of £2.3 million (June 2013: £nil) and the carrying value of property sales of £7.3 million (June 2013: £0.4 million).

Section 3: Asset management

The Group holds its property portfolio directly and through its joint ventures. The performance of the property portfolio whether wholly owned or in joint ventures is the key factor that drives EPRA 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 three groups on the balance sheet at the carrying values detailed below. In the Group's EPRA NAV, all these groups are shown at market value.

i) Investment property (fixed assets)
These are assets that the Group intends to hold for a long period to earn rental income or capital appreciation. The assets are held at fair value in the balance sheet with changes in fair value taken to the income statement.

ii) Investment property under development (fixed assets)
These are assets which are currently in the course of construction and which will be transferred to 'Investment property' on completion.

iii) Properties under development (current assets)
These are assets which are currently in the course of construction and the intention is to sell the property to LSAV 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.

Valuation process
The valuation of the properties are performed twice a year on the basis of valuation reports prepared by external, independent valuers, having an appropriate recognised professional qualification. The fair values are based on market values as defined in the RICS Appraisal and Valuation Manual, issued by the Royal Institution of Chartered Surveyors. CB Richard Ellis Ltd, Jones Lang LaSalle Ltd and Messrs Knight Frank, Chartered Surveyors were the valuers in the 6 months ending 30 June 2014 and 2013.

The reports are based on both:

- Information provided by the Group such as current rents, occupancy, operating costs, terms and conditions of leases and nomination agreements, capital expenditure, etc. This information is derived from the Group's financial systems and is subject to the Group's overall control environment.
- Assumptions and valuation models used by the valuers – the assumptions are typically market related, such as yield and discount rates. These are based on their professional judgement and market observation.

The information provided to the valuers – and the assumptions and the valuation models used by the valuers – are reviewed by the property board and the CFO. This includes a review of the fair value movements over the period.

The movements in the carrying value of the Group's wholly owned property portfolio during the 6 months ended 30 June 2014 were as follows:

Unaudited 30 June 2014

	Investment property £m	Investment property under development £m	Property under development £m	Total £m
At 1 January 2014	767.6	95.5	61.5	924.6
Cost capitalised	3.3	17.5	10.4	31.2
Interest capitalised	-	2.6	2.8	5.4
Disposals	-	-	(7.3)	(7.3)
Valuation gains	16.4	2.1	-	18.5
Valuation losses	(4.5)	-	-	(4.5)
Net valuation gains	11.9	2.1	-	14.0
Carrying value at 30 June 2014	782.8	117.7	67.4	967.9

Whilst 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 EPRA 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 2014 is as follows:

	Investment property £m	Investment property under development £m	Property under development £m	Total £m
Carrying value at 30 June 2014 (above)	782.8	117.7	67.4	967.9
Valuation gains not recognised under IFRS but included in EPRA NAV				
Brought forward	–	–	22.8	22.8
Valuation gain in period	–	–	2.3	2.3
	–	–	25.1	25.1
Market value at 30 June 2014	782.8	117.7	92.5	993.0

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 30 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 / (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

The fair value of the Group's wholly owned property portfolio 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 EPRA NAV				
Brought forward	–	–	19.0	19.0
Valuation gain in period	–	–	4.4	4.4
	–	–	23.4	23.4
Market value at 30 June 2013	766.1	53.7	63.2	883.0

31 December 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	8.0	29.2	31.8	69.0
Interest capitalised	–	2.9	3.2	6.1
Transfer from investment property	(8.7)	8.7	–	–
Disposals	(12.8)	–	–	(12.8)
Valuation gains	23.6	17.4	–	41.0
Valuation losses	(5.3)	(0.3)	–	(5.6)
Net valuation gains	18.3	17.1	–	35.4
Carrying value at 31 December 2013	767.6	95.5	61.5	924.6

The fair value of the Group's wholly owned property portfolio at 31 December 2013 is as follows:

	Investment property £m	Investment property under development £m	Property under development £m	Total £m
Carrying value at 31 December 2013 (above)	767.6	95.5	61.5	924.6
Valuation gains not recognised under IFRS but included in EPRA NAV				
Brought forward	–	–	19.0	19.0
Valuation gain in year	–	–	3.8	3.8
	–	–	22.8	22.8
Market value at 31 December 2013	767.6	95.5	84.3	947.4

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

Class of asset	6 months to 30 June 2014 £m	6 months to 30 June 2013 £m	31 December 2013 £m
London – rental properties	276.9	274.6	274.5
Major provincial – rental properties	339.9	334.5	332.5
Other provincial – rental properties	166.0	157.0	160.6
London – development properties	175.2	105.5	149.6
Major provincial – development properties	16.7	7.3	17.9
Other provincial – development properties	18.3	4.1	12.3
Market value	993.0	883.0	947.4

The valuation technique for investment properties is a discounted cash flow using the following inputs: net rental income, estimated future costs, occupancy and property management costs.

Where the asset is leased to a University, the valuation also reflect the length of the lease, the allocation of maintenance and insurance responsibilities between the Group and the lessee, and the market's general perception of the lessee's credit worthiness.

The resulting valuations are cross-checked against the initial yields and the capital value per bed derived from actual market transactions.

For development properties, the fair value is usually calculated by estimating the fair value of the completed property (using the discounted cash flow method less estimated costs to completion.

Fair value using unobservable inputs (Level 3)

	6 months to 30 June 2014 £m	6 months to 30 June 2013 £m	31 December 2013 £m
Opening fair value	947.4	845.9	845.9
Gains and losses recognised in income statement	14.0	13.0	35.4
Gains and losses not recognised on properties under development	2.3	4.4	3.8
Acquisitions	–	–	–
Capital expenditure	36.6	24.6	75.1
Disposals	(7.3)	(4.9)	(12.8)
Closing fair value	993.0	883.0	947.4

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

	Fair value £m	Valuation technique	Unobservable inputs	Range	Weighted average
London		Discounted	Net rental income (£ per week)	195 – 321	£227
- rental properties	276.9	cash flows	Estimated future rent (%)	2 – 3	3
			Discount rate (yield) (%)	6.00 – 6.25	6.18
Major provincial		Discounted	Net rental income (£ per week)	97 – 139	£114
- rental properties	339.9	cash flows	Estimated future rent (%)	2 – 3	3
			Discount rate (yield) (%)	6.35 – 6.75	6.35
Other provincial		Discounted	Net rental income (£ per week)	80 – 135	£112
- rental properties	166.0	cash flows	Estimated future rent (%)	2 – 3	3
			Discount rate (yield) (%)	6.40 – 8.50	6.85
London		Discounted	Estimated cost to complete (£m)	0.6m – 1.1m	0.9m
- development properties	175.2	cash flows	Estimated future rent (%)	3	3
			Discount rate (yield) (%)	6.00 – 6.50	6.27
Major provincial		Discounted	Estimated cost to complete (£m)	15.5m	15.5m
- development properties	16.7	cash flows	Estimated future rent (%)	3	3
			Discount rate (yield) (%)	6.25	6.25
Other provincial		Discounted	Estimated cost to complete (£m)	1.1m	1.1m
- development properties	18.3	cash flows	Estimated future rent (%)	3	3
			Discount rate (yield) (%)	6.65	6.65
Fair value at 30 June 2014	993.0				

	Fair value £m	Valuation technique	Unobservable inputs	Range	Weighted average
London		Discounted	Net rental income (£ per week)	187 – 326	£220
- rental properties	274.6	cash flows	Estimated future rent (%)	2 – 3	3
			Discount rate (yield) (%)	6.25 – 6.50	6.34
Major provincial		Discounted	Net rental income (£ per week)	93 – 135	£109
- rental properties	334.5	cash flows	Estimated future rent (%)	2 – 3	3
			Discount rate (yield) (%)	6.40 – 7.15	6.78
Other provincial		Discounted	Net rental income (£ per week)	78 – 124	£106
- rental properties	157.0	cash flows	Estimated future rent (%)	2 – 3	3
			Discount rate (yield) (%)	6.50 – 8.50	6.92
London		Discounted	Estimated cost to complete (£m)	21.7m – 32.4m	28.5m
- development properties	105.5	cash flows	Estimated future rent (%)	3	3
			Discount rate (yield) (%)	6.25 – 6.50	6.39
Major provincial		Discounted	Estimated cost to complete (£m)	24.7m	24.7m
- development properties	7.3	cash flows	Estimated future rent (%)	3	3
			Discount rate (yield) (%)	6.40	6.40
Other provincial		Discounted	Estimated cost to complete (£m)	10.9m	10.9m
- development properties	4.1	cash flows	Estimated future rent (%)	3	3
			Discount rate (yield) (%)	7.25	7.25
Fair value at 30 June 2013	883.0				

	Fair value £m	Valuation technique	Unobservable inputs	Range	Weighted average
London		Discounted	Net rental income (£ per week)	187 – 326	£220
- rental properties	274.5	cash flows	Estimated future rent (%)	1 – 3	3
			Discount rate (yield) (%)	6.15 - 6.50	6.24
Major provincial		Discounted	Net rental income (£ per week)	93 – 135	£109
- rental properties	332.5	cash flows	Estimated future rent (%)	2 – 3	3
			Discount rate (yield) (%)	6.40 – 6.90	6.68
Other provincial		Discounted	Net rental income (£ per week)	78 – 124	£106
- rental properties	160.6	cash flows	Estimated future rent (%)	2 – 3	3
			Discount rate (yield) (%)	6.40 – 8.40	6.83
London		Discounted	Estimated cost to complete (£m)	8.7m – 12.2m	10.9m
- development properties	149.6	cash flows	Estimated future rent (%)	3	3
			Discount rate (yield) (%)	6.10 – 6.50	6.35
Major provincial		Discounted	Estimated cost to complete (£m)	22.9m	22.9m
- development properties	17.9	cash flows	Estimated future rent (%)	3	3
			Discount rate (yield) (%)	6.25 – 7.00	6.64
Other provincial		Discounted	Estimated cost to complete (£m)	5.7m	5.7m
- development properties	12.3	cash flows	Estimated future rent (%)	3	3
			Discount rate (yield) (%)	6.75	6.75
Fair value at 31 December 2013	947.4				

A decrease in net rental income, estimated future rents or occupancy will result in a decrease in the fair value, whereas a decrease in the discount rate (yield) or the estimated costs to complete will result in an increase in fair value. There are interrelationships between these rates as they are partially determined by market rate conditions.

3.2 Inventories

	Unaudited 6 months to 30 June 2014 £m	Unaudited 6 months to 30 June 2013 £m	Year to 31 December 2013 £m
Interests in land	1.6	–	–
Other stocks	1.6	3.8	3.2
Inventories	3.2	3.8	3.2

3.3 Investments in joint ventures

The Group has four joint ventures:

Joint venture	Group's share of assets/results 2014 (2013)	Objective	Partner	Legal entity in which Group has interest
The UNITE UK Student Accommodation Fund (USAF)	22.9%* (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)	50% (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% (50%)	Develop and operate student accommodation in London	GIC Real Estate Pte, Ltd Real estate investment vehicle of the Government of Singapore	LSAV Unit Trust, a Jersey Unit Trust and LSAV (Holdings) Ltd, incorporated in Jersey
OCB Property Holdings (OCB)	25% (25%)	Operate three investment properties located in London, these properties were sold in the period and the joint venture is to be wound up	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 20.7% (2013: 16.4%) of USAF.

Following the equalisation of ownership in UCC during the period it is the Group's intention to merge UCC and LSAV into a single joint venture.

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 £94.7 million during the 6 months ended 30 June 2014 (30 June 2013: £13.6 million), resulting in an overall carrying value of £331.9 million (30 June 2013: £208.4 million). The following table shows how the increase has been achieved.

	Unaudited 30 June 2014			Unaudited 30 June 2013		
	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:						
Operations segment result	8.2	–	8.2	5.8	–	5.8
Minority interest share of Operations segment result	0.7	–	0.7	0.6	–	0.6
Management fee adjustment relating to trading with joint venture	1.4	–	1.4	1.2	–	1.2
Net revaluation gains	14.5	–	14.5	9.3	–	9.3
Deferred tax	–	–	–	–	–	–
Discount on interest free loans	(0.4)	0.4	–	(11.6)	11.6	–
Debt exit costs	(0.1)	–	(0.1)	(2.0)	–	(2.0)
Loss on cancellation of interest rate swaps	–	–	–	(0.3)	–	(0.3)
Landsbanki cash received	0.4	–	0.4	–	–	–
Loss on disposal of investment property	(0.8)	–	(0.8)	(0.1)	–	(0.1)
Other	0.1	–	0.1	0.1	–	0.1
	24.0	0.4	24.4	3.0	11.6	14.6
Recognised in equity:						
Movement in effective hedges	(0.1)	–	(0.1)	3.0	–	3.0
Other adjustments to the carrying value:						
Profit adjustment related to trading with joint venture	–	0.1	0.1	(2.5)	1.3	(1.2)
Additional loan to OCB	–	–	–	–	1.4	1.4
Repayment of loan to OCB	–	(10.7)	(10.7)	–	–	–
Additional loan to USAF	10.8	–	10.8	–	–	–
Additional capital invested in USAF	44.0	–	44.0	–	–	–
Additional capital invested in UCC	26.5	–	26.5	–	–	–
Additional capital invested in LSAV	2.8	–	2.8	–	–	–
Reclassification of investment loan following refinancing	–	–	–	15.0	(15.0)	–
Distributions received	(13.3)	–	(13.3)	(4.9)	–	(4.9)
Increase in carrying value	94.7	(10.2)	84.5	13.6	(0.7)	12.9
Carrying value at 1 January	237.2	10.2	247.4	194.8	11.2	206.0
Carrying value at 30 June	331.9	–	331.9	208.4	10.5	218.9

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 the remaining joint venture investment loan to OCB was repaid as part of the disposal of the property owning entities in the OCB joint venture.

	31 December 2013		
	Investment in joint venture £m	Joint venture investment loan £m	Total interest £m
Recognised in the income statement:			
Operations segment result	11.3	–	11.3
Minority interest share of Operations segment result	1.1	–	1.1
Management fee adjustment relating to trading with joint venture	2.4	–	2.4
Net revaluation gains	13.5	–	13.5
Discount on interest free loans	(15.4)	15.4	–
Debt exit costs	(2.2)	–	(2.2)
Loss on cancellation of interest rate swaps	(3.8)	–	(3.8)
Landsbanki cash received	2.3	–	2.3
	9.2	15.4	24.6
Recognised in equity:			
Movement in effective hedges	8.4	–	8.4
Other adjustments to the carrying value:			
Profit adjustment related to trading with joint venture	(4.2)	1.8	(2.4)
Increase in loan to OCB	–	1.4	1.4
Additional capital invested in UCC	3.4	–	3.4
Additional capital invested in LSAV	8.4	–	8.4
UCC promote	7.5	–	7.5
Transfer from investment loan to investments	19.6	(19.6)	–
Distributions received	(9.9)	–	(9.9)
Increase in carrying value	42.4	(1.0)	41.4
Carrying value at 1 January	194.8	11.2	206.0
Carrying value at 31 December	237.2	10.2	247.4

b) Transactions with joint ventures

The Group acts as asset and property manager for the joint ventures and receives management fees in relation to these services.
In addition, the Group is entitled to promote fees from USAF and UCC if the joint ventures outperform certain benchmarks. The Group receives an enhanced equity interest in the JV's as consideration for the promote fee. The Group has recognised the following management fees in its results for the year.

	Unaudited 6 months to 30 June 2014 £m	Unaudited 6 months to 30 June 2013 £m	Year to 31 December 2013 £m
USAF	3.3	3.3	6.6
UCC/LSAV	1.8	1.8	3.5
OCB	0.3	0.5	0.9
Property management fees	5.4	5.6	11.0
		1.	
UCC/LSAV	2.3	–	0.9
Development management fees	2.3	–	0.9
		2.	
UCC/LSAV	–	–	7.5
Promote fees	–	–	7.5
Total fees	7.7	5.6	19.4

Section 4: Funding

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

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

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

4.1 Borrowings

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

	Unaudited 6 months to 30 June 2014 £m	Unaudited 6 months to 30 June 2013 £m	Year to 31 December 2013 £m
Current			
In one year or less, or on demand	1.3	115.2	29.7
Non-current			
In more than one year but not more than two years	12.2	2.6	93.2
In more than two years but not more than five years	145.3	132.6	182.3
In more than five years	330.4	230.2	208.2
	487.9	365.4	483.7
Total borrowings	489.2	480.6	513.4

The carrying value of borrowings is considered to be approximate to fair value, except for the Group's fixed rate loans carried at £333.0 million (2013: £227.8 million) and the convertible bond carried at £81.6 million (2013: £nil). The convertible bond and £90.0 million of fixed rate loans are classified as level 1 in the IFRS 13 fair value hierarchy and have a fair value of £188.1 million (2013: £91.8 million).

The remaining £243.0 million (2013: £137.8 million) of fixed rate loans are classified as level 2 in the IFRS 13 fair value hierarchy. 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 expectation of future interest rates. The fair value of these loans is £241.5 million (2013: £139.1 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 2014 £m	Unaudited 6 months to 30 June 2013 £m	Year to 31 December 2013 £m
Current	0.9	0.3	2.0
Non-current	1.5	14.2	3.4
Fair value of interest rate swaps	2.4	14.5	5.4

The fair values of interest rate swaps have been calculated by a third party expert, discounting estimated future cash flows on the basis of market expectations of future interest rates, representing Level 2 in the IFRS 13 fair value hierarchy. The IFRS 13 level categorisation relates to the extent the fair value can be determined by reference to comparable market values. The classifications range from level 1 where instruments are quoted on an active market through to level 3 where the assumptions used to arrive at fair value do not have comparable market data.

4.3 Dividends

During the 6 months to 30 June 2014, the Company declared and paid a final dividend of £6.3 million (2013: £4.7 million). After the period end, the Directors proposed an interim dividend of 2.2p per share (2013: 1.6p 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 2014 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 2014 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 LLP
Chartered Accountants
15 Canada Square, London, E14 5GL

28 August 2014

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