PRESS RELEASE

5 August 2015

THE UNITE GROUP PLC

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

MAINTAINING STRONG PERFORMANCE MOMENTUM

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 2015.

HIGHLIGHTS

Strong financial performance

- EPRA earnings up 45% to £29.6 million (30 June 2014: £20.4 million)
- EPRA earnings per share up 30% to 14.2 pence (30 June 2014: 10.9 pence)
- EPRA NAV per share up 20% to 521 pence (31 December 2014: 434 pence) equating together with dividends paid to a total return on opening EPRA NAV per share of 22.1% (30 June 2014: 6.1%)
- On track to achieve like-for-like rental growth of 3.5% to 4.0% for the full year, up from 3.3% for 2014
- Average portfolio yield compressed by 47 bps in the first six months to 5.8% (31 December 2014: 6.3%) and further compression expected over next 18 months
- Interim dividend increased by 150% to 5.5 pence per share (2014 interim: 2.2 pence). Policy remains to distribute 65% of full-year recurring EPRA earnings by way of dividend each year

Excellent progress against strategic objectives

- 55% of rooms now let through University nomination agreements, demonstrating strength of brand
- Overhead efficiency measure improved to 40 bps on annualised basis (2014: 61 bps), illustrating continued scalability of platform. On track to hit 25-30 bps target by 2017
- Portfolio quality enhanced further through positive progress with ongoing developments and £271 million acquisition by USAF of the high-quality AUB portfolio
- Planning secured on sites in Edinburgh and Coventry
- In exclusive negotiations to acquire three development sites with the potential to deliver approximately 1,800 beds for 2018 completion
- Capital structure strengthened further as loan-to-value ratio reduced to 35% (31 December 2014: 43%)
- Net debt likely to be broadly flat over the full year

Well positioned for continued growth

- Student numbers expected to rise to record levels for 2015/16 driven by removal of the UK/EU student number cap and sustained non-EU international demand
- 90% of rooms reserved as at 3 August (2014: 85%) at levels supportive of 3.5% to 4.0% rental growth for the full year
- Highly visible earnings growth trajectory remains a key feature. Delivery of development pipeline alone could add 17 pence to EPRA earnings per share by 2019 before accounting for prospective rental growth (EPRA EPS was 17.2 pence in 2014)

Mark Allan, Chief Executive of Unite Students commented: "Throughout the first half of 2015 we have continued to deliver against our three key strategic priorities: to be the most trusted brand in our sector, to operate the highest quality portfolio and to maintain the strongest capital structure. As a result we are delighted to report another set of strong results.

"Building on a period of consistent strong performance the Group remains well placed to deliver sustainable growth in the years ahead. Market conditions 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; our portfolio is focused on stronger Universities; and our highly scalable operating platform and strong brand leaves us well placed to extend our market leading position."

PRESENTATION

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

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OVERVIEW

During the first half of 2015 our business has continued to perform strongly, benefitting from our sustained focus on the strongest University locations, our highly scalable operating platform and the successful roll out of our growth strategy. This is demonstrated in our financial results: EPRA earnings for the six months were up 45% to £29.6 million (30 June 2014: £20.4 million), an increase of 30% on a per share basis to 14.2 pence (30 June 2014: 10.9 pence). EPRA NAV per share increased 20% over the six months to 521 pence (31 December 2014: 434 pence) making, together with dividends paid, a total return on opening NAV of 22.1% for the period.

Our key financial performance indicators are set out below:

Financial highlights	Six months to 30 June 2015	Six months to 30 June 2014	Year to 31 Dec 2014
EPRA earnings	£29.6m	£20.4m	£33.3m
EPRA earnings per share	14.2p	10.9p	17.2p
EPRA NAV per share	521p	402p	434p
Dividend per share	5.5p	2.2p	11.2p
Total return on NAV	22.1%	6.1%	15.0%
See-through LTV ratio	35%	44%	43%
Operations cash flow	£28.0m	£24.3m	£35.0m

The basis of our performance and strategy remains threefold: to be the most trusted brand in our sector, to operate the highest quality portfolio and to maintain the strongest capital structure. We have again made excellent progress on all fronts. Customer satisfaction levels have increased meaningfully year on year in response to the roll out of our Home for Success investment programme; our development pipeline has deepened as a result of new planning consents and good progress with site acquisitions; USAF has acquired a high quality complementary 2,100 bed operational portfolio and leverage has fallen further to 35% LTV as a result of capital growth in our portfolio and new equity capital raised both on balance sheet and through USAF.

High levels of investor demand for student accommodation assets has been a particular feature of the period with approximately £4 billion of transactions completed in the six months, over three times the level seen in any other six month period historically. This level of activity has resulted in upward pressure on asset prices and our average portfolio yield now stands at 5.8%, a reduction of 47bps from December 2014. Transaction volumes are likely to remain at elevated levels for some time and we expect to see some further compression over the next 18 months. In addition to the resultant uplift in property values we also expect this yield movement to crystallise a material performance fee from USAF, likely to be in the region of £15 to £20 million for the full year.

Another key feature of the first half of the year has been the removal of the student number cap with effect from the 2015/16 academic year, meaning that the number of UK and EU students permitted to study at UK Universities is no longer restricted. We expect this to result in at least 100,000 additional students attending University over the next few years and have already seen this translate into strong demand for accommodation amongst Universities planning for higher student numbers in 2015/16. Consequently our reservations for the next academic year are strong; 90% as of 3 August 2015 compared to 85% in 2014 and we expect rental growth for the full year to be between 3.5% and 4.0%, up from 3.3% in 2014.

In the July budget the Chancellor announced that student maintenance grants are to be replaced with loans with effect from the 2016/17 academic year. Historically, approximately 520,000 students have claimed an average £2,750 each year and this policy change will result in increased levels of debt for these students at graduation although the amount of maintenance loan available will be significantly higher than the grant. Currently, we are assessing the implications of this but while it may have a small negative impact on overall student numbers we expect little or no effect on stronger Universities' recruitment. Our operations have always been concentrated on locations with the best prospects: we are present in towns and cities that account for approximately half of the total student population but close to two-thirds of student number growth since 2009.

Our business strategy remains consistent and focused. Firstly, we are continuing to invest in our brand and operating platform, particularly by leveraging technology, and this translates into better customer service and higher operating margins. Secondly, we are continuing to invest in growing our portfolio through organic development activity and selective acquisitions of operating assets, in all cases focusing on locations with the most secure long-term growth prospects. Thirdly, we continue to manage our balance sheet conservatively by ensuring that asset and financing strategies are properly aligned and leverage is carefully controlled.

Building on a period of consistent strong performance the Group remains well placed to deliver sustainable growth in the years ahead. Market conditions 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; our portfolio is focused on stronger Universities; and our highly scalable operating platform and strong brand leaves us well placed to extend our market leading position.

OPERATIONS REVIEW

In the first six months of 2015, we delivered a 45% increase in EPRA earnings to £29.6 million or 14.2 pence per share (30 June 2014: £20.4 million, 10.9 pence per share). This increase was driven by high occupancy, rental growth, operational efficiencies and further growth of the portfolio.

Summary income statement	Six months to 30 June 2015 £m	Six months to 30 June 2014 £m	Year to 31 Dec 2014 £m
Unite's share of rental income	77.0	64.0	130.0
Unite's share of property operating expenses	(18.5)	(15.4)	(35.7)
Net operating income (NOI)	**58.5**	**48.6**	**94.3**
NOI margin	*76.0%*	*75.9%*	*72.5%*
Management fees	5.4	5.1	10.0
Operating expenses	(9.1)	(9.8)	(19.9)
Finance costs	(25.0)	(21.2)	(45.6)
Net portfolio contribution	**29.8**	**22.7**	**38.8**
USAF acquisition and performance fee	3.4	-	1.2
Development and other costs	(3.6)	(2.3)	(6.7)
EPRA earnings	**29.6**	**20.4**	**33.3**
EPRA EPS	**14.2p**	**10.9p**	**17.2p**

The Group's NOI margin remained broadly flat at 76.0% for the six months (30 June 2014: 75.9%) reflecting further scale efficiencies that were largely offset by investment in enhanced service levels. The seasonal nature of our lettings cycle means that we expect the margin for the full year to be around 73% and we remain on track to deliver steady improvements in NOI margins from these levels over the next few years. The planned introduction of our new Prism operating system later in 2015 will be a particularly important driver of both improved efficiency and service levels and in the medium term we expect full year NOI margins to improve towards 75%.

We are now managing 45,000 beds (at 30 June 2015 including 2,100 beds acquired from AUB) compared to 43,000 at 31 December 2014. Despite this portfolio growth, overheads have remained broadly in line with 2014 at £9.1 million (30 June 2014: £9.8 million) and should remain so for the full year, demonstrating the scalability of our platform. These scale benefits mean that our key overhead efficiency measure (total operating expenses less management fees as a proportion of Unite's share of property value) continues to improve and now stands at 40bps on an annualised basis (30 June 2014: 61bps) and we are on track to deliver our target of 25-30bps by 2017. This efficiency measure excludes income from non-recurring fees which, if included, would improve the result further to 22bps on an annualised basis.

The continued scalability of our operating platform is a key strength of our business and will continue to play an important part in the delivery of our strategy in the years ahead. It is capable of managing at least 50% more beds than currently and each additional bed adds only a marginal £82 per bed of overhead compared with the current run rate of £439 per bed.

Management fees totalled £8.8 million in the period, made up of £5.4 million of recurring asset management fees, £1.8 million of USAF acquisition fee and £1.6 million of USAF net performance fee. We expect the USAF performance fee to be in the region of £15 million to £20 million for the full year. The fee is payable in units based on USAF's annual total return at 31 December 2015 and although it will be included in EPRA earnings, the majority of the fee will be treated as non-recurring (as it relates purely to yield movements) and consequently that element will not be taken into account for dividend purposes. From 2016 onwards we intend to use a proportion of the income received on the additional performance fee units to fund increased investment in exploring longer term growth opportunities for the Group, although this investment will not exceed £1 million per annum.

Finance costs increased to £25.0 million (30 June 2014: £21.2 million) as net debt remained broadly flat but lower levels of development capex resulted in a reduction of interest capitalised to £1.1 million compared to £5.4 million in the six months to 30 June 2014. We expect the level of interest capitalisation to increase as the rate of development increases. Development (pre-contract) and other costs increased to £3.6 million (30 June 2014: £2.3 million) primarily reflecting the ongoing levels of site acquisition in the business. For the full year we expect these costs to grow by around 10%, primarily from increased share-based payments as a result of the Group's strong share price performance.

Home for Success investment programme

The Home for Success programme continues to progress well, with the introduction of new services and enhancements to the physical environment driving customer satisfaction to highest ever levels.

We have re-branded our entire portfolio and have completed the upgrade of 85 common rooms, with the remainder to be finished by the end of the year. The installation of LED lighting throughout our estate is progressing well, with 47 of 104 properties now completed. The remaining buildings will be completed by the first half of 2016. Utility consumption data is supportive of the savings that were forecast in the original business case and we expect to derive further savings as a result of the reduced maintenance requirements of the new lighting.

Finding ways to improve customer service levels each year is central to our strategic objective to be the most trusted brand in our sector. It is vital that our operating scale translates not just into financial benefits but also into an improved customer experience. As a result we will continue to make new investments in service levels and product quality on an ongoing basis.

Occupancy and rental growth

Our lettings performance has remained strong throughout the sales cycle, with reservations levels at 3 August at 90% for 2015/16 compared with 85% at the same time last year. The improved lettings position is largely driven by securing more nominations agreements with Universities earlier in the sales cycle, itself an illustration of the increased confidence with which Universities are pursuing student recruitment now that the cap on student numbers has been removed, and the strength of our brand in the Higher Education sector. We expect the proportion of rooms let through nominations agreements to grow to around 55% of the portfolio for the 2015/16 academic year, up from an historic average of approximately 50%, and remain around this level going forward.

As a result of our positive sales performance we expect rental growth for the full year to be in the region of 3.5% to 4.0%, up from 3.3% in 2014.

PROPERTY REVIEW

NAV growth

EPRA NAV per share increased by 20% to 521 pence at 30 June 2015 (31 December 2014: 434 pence). In total, EPRA net assets were £1,164 million at 30 June 2015, up from £881 million six months earlier.

The main drivers of the £283 million (87 pence per share) movement were:

- The growth in the value of the investment portfolio as a result of rental growth (+£26 million, +12 pence)
- Growth in the value of the development portfolio (+£30 million, +13 pence) comprising progress on site and yield compression
- The positive impact of retained profits after dividends paid (+£8 million, +4 pence)
- Yield compression of an average of 47 basis points across the investment portfolio (+£107 million, +48 pence)
- The positive impact of the equity issue at a 31% premium to December 2014 NAV(+£113 million, +11 pence)

Property portfolio

The valuation of our property portfolio at 30 June 2015 on a see-through basis (i.e. including our share of gross assets held in USAF and LSAV) was £1,841 million (31 December 2014: £1,624 million). The £217 million increase in portfolio value reflects the valuation movements outlined above together with:

- Capital expenditure on developments of £40 million
- Capital expenditure on acquisitions in USAF of £60 million
- Disposals of £59 million

Looking forward, our focus on the strongest University locations means that our portfolio is well placed to deliver continued growth.

Summary balance sheet

	30 June 2015			30 June 2014			31 December 2014		
	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	927	729	1,656	783	492	1,275	952	558	1,510
Properties under development	84	101	185	210	48	258	49	65	114
Total property	1,011	830	1,841	993	540	1,533	1,001	623	1,624
Debt on property	(478)	(296)	(774)	(489)	(241)	(730)	(490)	(270)	(760)
Cash	105	23	128	18	41	59	41	22	63
Other assets / (liabilities)	(17)	(14)	(31)	(19)	(28)	(47)	(38)	(8)	(46)
EPRA net assets	**621**	**543**	**1,164**	**503**	**313**	**816**	**514**	**367**	**881**

The proportion of the property portfolio that is income generating is 90%, down from 93% at 31 December 2014. We expect this to continue to fall as we progress our development pipeline but will maintain our development asset weighting firmly within our internal cap of 20%.

Geographically, 45% of the portfolio (on a see-through basis) is located in London with the remainder in strong regional locations. We expect this to move towards a 60:40 split in favour of regional locations as we build out our development pipeline.

Student accommodation yields

There has been an unprecedented level of transactions in the student accommodation sector over the first half of 2015 with over £4 billion of assets traded as a series of large portfolios have been sold to new or relatively new entrants to the sector. The majority of buyers have been supported by international capital from institutional and private equity investors and we believe that yields on these transactions ranged from c.4.5% for central London assets to c.5.7% for provincial locations.

When reviewing these transactions, our valuers estimate that 5 -10% of the purchase price, equivalent to 25 bps to 50 bps keener yield, is a portfolio premium as many of the buyers are likely to have been prepared to pay more to secure larger portfolios to ensure that they benefit from operational scale. No portfolio premium is taken into account in valuing our portfolio as assets are valued on an individual basis.

Looking to the remainder of 2015 we understand that a number of other portfolios are also now either under offer or being marketed and we expect bidding interest to remain high and the level of transactions for the full year to exceed £5 billion comfortably. As a result we believe there is scope for some further yield compression over the next 18 months.

Overall the average yield on our portfolio (on a see-through basis) at 30 June 2015 is 5.8%, representing an inward movement of 47bps over the first half of the year and excluding any portfolio premium. The yield movement has been most notable in London and an indicative spread of direct let yields by location is outlined below.

	30 June 2015	31 December 2014
London	4.75 - 5.5%	5.5 - 6.0%
Prime provincial	5.5 - 6.0%	6.1 - 6.5%
Provincial	6.0 - 6.75%	6.5 - 7.0%

Development activity

Development activity continues to be a significant driver of growth in NAV and future earnings. Returns on new projects in strong regional locations remain attractive (8.75-9.0% yield on cost) although returns on potential new projects in London remain below our hurdle rate due principally to excessive planning levies and higher alternative use values for prospective sites.

We have made good progress with our development activity in the first half of the year as anticipated, securing planning on our sites in Coventry and Edinburgh and securing exclusive positions on three development sites with the potential to deliver approximately 1,800 beds for 2018 completion. All projects on site remain on time and in line with budget.

Secured development pipeline (wholly owned)

		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	%
2015 completions								
Trenchard Street	Bristol	483	40	27	8	2	3	9.6%
2016 completions								
Greetham Street	Portsmouth	836	58	42	7	29	12	9.3%
Causewayend	Aberdeen	399	37	24	2	18	9	9.8%
Far Gosford Street	Coventry	286	25	18	4	14	5	9.4%
2017 completions								
St Leonards	Edinburgh	581	57	41	-	40	16	9.5%
Newgate Street[1]	Newcastle	606	48	31	-	30	17	9.7%
Tara House[1]	Liverpool	769	62	46	2	39	16	9.3%
Constitution Street[1]	Aberdeen	634	63	43	-	37	20	9.3%
Total (wholly owned)		**4,594**	**390**	**271**	**24**	**208**	**98**	**9.4%**

[1] Subject to obtaining planning consent

Secured development pipeline (LSAV)

		Secured beds	Total completed value	Total development costs	Capex in period	Capex remaining	Forecast NAV remaining	Forecast yield on cost
		No.	£m	£m	£m	£m	£m	%
LSAV								
2015 completions								
Angel Lane	London	759	100	54	13	1	1	9.3%
2016 completions								
Stapleton House	London	862	135	85	7	41	24	8.8%
Wembley Park	London	699	73	49	11	25	14	8.9%
Total LSAV		**2,320**	**308**	**188**	**32**	**68**	**39**	**9.0%**
Unite share of LSAV		**n/a**	**154**	**94**	**16**	**34**	**20**	**9.0%**

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

	Illustrative returns (by 2019)	
	Future NAVps	Future EPS
Secured regional projects (wholly owned)	44	9
Secured LSAV projects (our share)	9	3
Total secured projects (listed above)	53	12
Target regional pipeline (capital available)	26	5
Secured and target pipeline	79	17

Asset disposals

Stratford City was sold to LSAV for £82 million in March under the forward sale agreement that was put in place when LSAV was set up in 2012. Taking into account our LSAV stake this represents an effective disposal of £41 million.

We have now substantially concluded the sale of our non-core assets and, having raised additional capital earlier this year to fund our development pipeline for 2018 completions, we are planning for a lower level of asset disposals going forward. We will however continue to review asset performance closely and expect to sell between £20 million and £50 million per annum on a see-through basis over the next few years.

Acquisitions

USAF remains our primary vehicle for portfolio acquisitions and it completed the purchase of the AUB portfolio on 30 June 2015 for £271 million. The acquisition was funded from the proceeds of USAF's £306 million equity raise that completed in May. The eight assets, comprising 2,100 beds, are all located in strong student markets and complement the existing USAF portfolio.

This acquisition follows USAF's successful £137 million acquisition of the Cordea Savills portfolio in July 2014. The Cordea Savills portfolio has been fully integrated into Unite's managed portfolio, a meaningful proportion of reversionary potential has been captured and the portfolio was valued at £156 million at 30 June 2015, generating a total return of 29% for USAF over a 12 month period.

We will continue to consider acquisitions in USAF and are currently evaluating a number of potential investments. However, acquisitions will be only be undertaken where we have a clear and deliverable plan to unlock value.

FINANCIAL PERFORMANCE

Income statement

EPRA earnings per share is our key income performance measure and the detail of this performance is set out in the 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 2015 £m	30 June 2014 £m	31 Dec 2014 £m
EPRA earnings	29.6	20.4	33.3
Valuation gains and profit / loss on disposal	195.9	25.3	75.1
Changes in valuation of interest rate swaps and debt break costs	0.4	(2.0)	(1.8)
Deferred tax	(15.6)	0.3	(2.7)
Minority interest	(2.0)	(0.4)	(1.1)
Profit after tax	**208.3**	**43.6**	**102.6**
EPRA earnings per share	14.2p	10.9p	17.2p

EPRA earnings of £29.6 million for the six months to 30 June 2015 (30 June 2014: £20.4 million) is stated after deducting current tax charges, share option costs and abortive / pre-contract development spend. A full reconciliation of EPRA earnings to profit attributable to the owners of the parent company is given in Section 2 of the financial statements.

Cash flow and net debt

The Operations business has generated £28.0 million of net cash in the six months to 30 June 2015 (30 June 2014: £24.3 million) and see-through net debt fell to £646 million (31 December 2014: £697 million). The key components of the movement in net debt were the share placing, operational cash flow and the disposal of Stratford City (generating total inflows of £120 million on a see-through basis) offset by total capital expenditure of £48 million and dividends paid of £20 million.

Dividend

We are declaring an interim dividend payment of 5.5 pence per share (30 June 2014: 2.2 pence), an increase of 150% over 2014. Our dividend policy remains to pay out 65% of recurring EPRA earnings each year.

The dividend will be paid on 6 November 2015 to shareholders on the register at close of business on 9 October 2015.

Share placing

We completed a placing and open offer of 20.1 million new ordinary shares in April 2015 at a price of 570 pence per share, raising gross proceeds of £115 million. Approximately half of the proceeds were used to invest in USAF while the remainder will be used to extend our regional development programme. As indicated at the time of the placing and open offer, we expect capital to be allocated to projects by early 2016 and for those projects to be completed by 2018.

The placing increased NAV at 30 June 2015 by 11 pence per share as the shares were issued at a 31% premium to the December 2014 net asset value. From an EPS perspective the impact across 2015 should be broadly neutral as the income return from the investment in USAF 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 both EPS and NAV per share.

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. As a result of the growth in value of our investment assets, a deferred tax liability of £17.2 million (31 December 2014: £2.8 million) has been recognised in the Group's balance sheet. Deferred tax assets of £2.2 million at 31 December 2014 have been fully utilised such that £nil is recognised at 30 June 2015. A further £3.8 million (31 December 2014: £8.9 million) of deferred tax assets 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 and unclaimed capital allowances means that the Group is unlikely to pay meaningful levels of tax within the next two years.

Debt financing

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

Key debt statistics (see-through basis)

	30 June 2015	30 Jun 2014	31 Dec 2014
Net debt	£646m	£670m	£697m
LTV	35%	44%	43%
Average debt maturity	6.1 years	7.2 years	6.5 years
Average cost of debt	4.7%	4.7%	4.7%
Proportion of investment debt at fixed rate	98%	98%	97%

The Group's see-through LTV reduced to 35% at 30 June 2015 from 43% at the end of 2014 as a result of the value growth of the portfolio and the reduction in net debt. We will continue to manage our gearing proactively and intend to maintain our LTV around the mid-30% level going forward, assuming current yields. With greater focus on the earnings profile of the business we are also now monitoring our net debt to EBITDA ratio, which we expect to be around 6.5 times in 2015 and we plan to keep this in the range of 6 to 7 times going forward.

Interest rate hedging arrangements and cost of debt

Our see-through cost of debt has remained at 4.7% (30 June 2014: 4.7%) and the Group has 98% of its see-through investment debt subject to a fixed interest rate (30 June 2014: 98%) for an average term of 6.1 years. In order to take advantage of current low interest rates for our development pipeline we have entered into £120 million of forward starting swaps at an average rate of 2.0% (c.3.5% including margin) to hedge the future debt on our secured development pipeline. As this borrowing is drawn and the swaps become effective we expect our average cost of debt to fall by approximately 20 to 30 bps by 2018.

Funds and joint ventures

The table below summarises the key financials for each vehicle:

	Property Assets	Net debt	Other assets	Net assets	Unite share of NAV	Total return (6 months)	Maturity	Unite share
Vehicle								
USAF	1,975	(575)	(47)	1,353	292	16%	Infinite	22%
LSAV	815	(301)	(13)	501	251	32%	2022	50%

USAF and LSAV have performed well in the six months to 30 June 2015. LSAV's total return is driven by stronger capital growth in London and development returns.

USAF successfully completed a £306 million fund raise in May 2015. As part of the fund raise, USAF broadened and diversified its investor base by introducing Allianz Real Estate as a major new investor in the fund. Unite invested £60 million (from the proceeds of its own capital raise early in the year) to maintain its stake at 22%. The proceeds of the fund raise were immediately deployed into the £271 million AUB acquisition outlined above.

Fees

During the six months to June 2015 the Group recognised net fees of £9.5 million from its fund and asset management activities as follows:

	30 June 2015 £m	30 June 2014 £m	31 Dec 2014 £m
USAF			
Asset management fee	3.9	3.4	7.1
Acquisition fee	1.8	-	1.6
Net performance fee	1.6	-	-
LSAV			
Asset and property management fee	1.5	1.4	2.6
Development management fee	0.7	2.3	2.8
OCB			
Asset management fee	-	0.3	0.3
Total fees	**9.5**	**7.4**	**15.4**

We expect the USAF net performance fee of £1.6 million to increase to £15 - 20 million for the full year, based on yields remaining at current levels.

Outlook

The prospects for our sector remain firmly positive. Interest rates remain close to record lows and Government policy is supportive of continued growth in student numbers, both domestically and from overseas. A more open and competitive market means that stronger Universities are likely to be the best placed to benefit most.

Against this backdrop the successful execution of our strategy to focus on the strongest University locations leaves the business very well placed. We are present in towns and cities that account for approximately half of all students but two-thirds of student number growth over the past five years and we expect this balance to continue as our development pipeline is built out, underpinning both development returns and positive rental growth prospects for the longer term.

We are also well placed to ensure that portfolio growth translates into clear and sustainable scale benefits, both for our shareholders and our customers. The scalability of our operating platform gives us confidence in being able to increase NOI margins steadily and control overheads while still investing in enhanced service levels.

Taken together, the positive outlook for our investment and development portfolio together with the scalability of our operating platform and strength of our brand result in a highly visible earnings growth trajectory for the business. We remain confident of delivering material year on year growth in earnings over the next few years.

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

5 August 2015

Introduction and table of contents

Whilst these financial statements are prepared in accordance with IFRS, the Board of Directors manage the business based on 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 period, including segmental information, EPRA earnings and EPRA NAV**
- **Asset management**
- **Funding**

Consolidated income statement

For the 6 months to 30 June 2015

	Note	Unaudited 6 months to 30 June 2015 Total £m	Unaudited 6 months to 30 June 2014 Total £m	Year to 31 December 2014 Total £m
Rental income	2.4	51.6	45.0	89.4
Property sales and other income	2.4	90.2	12.9	19.1
Total revenue		**141.8**	**57.9**	**108.5**
Cost of sales		(92.2)	(27.7)	(50.0)
Operating expenses		(14.6)	(12.2)	(25.9)
Results from operating activities		35.0	18.0	32.6
Loss on disposal of property		(0.2)	(0.4)	(1.0)
Net valuation gains on property	3.1	82.9	14.0	43.3
Profit before net financing costs		**117.7**	**31.6**	**74.9**
Loan interest and similar charges		(12.0)	(10.5)	(22.2)
Mark to market changes in interest rate swaps		(0.3)	(1.0)	(1.3)
Finance costs		(12.3)	(11.5)	(23.5)
Finance income		0.1	0.5	0.5
Net financing costs		**(12.2)**	**(11.0)**	**(23.0)**
Share of joint venture profit	3.3a	121.8	24.0	56.5
Profit before tax		**227.3**	**44.6**	**108.4**
Current tax		(0.9)	–	(1.2)
Deferred tax		(15.7)	–	(2.4)
Profit for the period		**210.7**	**44.6**	**104.8**
Profit for the period attributable to				
Owners of the parent company	2.2c	208.3	43.6	102.6
Minority interest		2.4	1.0	2.2
		210.7	**44.6**	**104.8**
Earnings per share				
Basic	2.2c	100.1p	23.4p	53.1p
Diluted	2.2c	91.7p	23.1p	52.3p

Consolidated statement of comprehensive income

For the 6 months to 30 June 2015

	Unaudited 6 months to 30 June 2015 £m	Unaudited 6 months to 30 June 2014 £m	Year to 31 December 2014 £m
Profit for the period	**210.7**	**44.6**	**104.8**
Movements in effective hedges	1.0	–	(0.1)
Gains on hedging instruments transferred to income statement	0.2	1.2	1.2
Share of joint venture movements in effective hedges	0.6	(0.1)	(1.8)
Other comprehensive income for the period	1.8	1.1	(0.7)
Total comprehensive income for the period	**212.5**	**45.7**	**104.1**
Attributable to			
Owners of the parent company	210.1	44.7	101.9
Minority interest	2.4	1.0	2.2
	212.5	**45.7**	**104.1**

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 2015

	Note	Unaudited 30 June 2015 £m	Unaudited 30 June 2014 £m	31 December 2014 £m
Assets				
Investment property	3.1	926.9	782.8	850.5
Investment property under development	3.1	83.9	117.7	49.2
Investment in joint ventures	3.3a	562.8	331.9	383.8
Other non-current assets		19.5	8.8	15.3
Deferred tax asset		–	1.6	2.2
Total non-current assets		**1,593.1**	**1,242.8**	**1,301.0**
Completed property	3.1	–	–	70.1
Properties under development	3.1	–	67.4	–
Inventories	3.2	5.4	3.2	3.9
Trade and other receivables		43.9	38.4	43.4
Cash and cash equivalents		105.6	18.5	41.4
Total current assets		**154.9**	**127.5**	**158.8**
Total assets		**1,748.0**	**1,370.3**	**1,459.8**
Liabilities				
Borrowings	4.1	(9.2)	(1.3)	(12.5)
Interest rate swaps	4.2	(0.1)	(0.9)	(0.4)
Trade and other payables		(85.2)	(69.4)	(101.6)
Current tax creditor		(1.9)	(0.4)	(1.0)
Total current liabilities		**(96.4)**	**(72.0)**	**(115.5)**
Borrowings	4.1	(469.1)	(487.9)	(477.3)
Interest rate swaps	4.2	–	(1.5)	(1.9)
Deferred tax liability		(17.2)	(1.0)	(2.8)
Total non-current liabilities		**(486.3)**	**(490.4)**	**(482.0)**
Total liabilities		**(582.7)**	**(562.4)**	**(597.5)**
Net assets		**1,165.3**	**807.9**	**862.3**
Equity				
Issued share capital		55.5	50.3	50.4
Share premium		493.3	385.2	385.8
Merger reserve		40.2	40.2	40.2
Retained earnings		546.0	304.4	359.2
Hedging reserve		(0.7)	(0.7)	(2.5)
Equity portion of convertible instrument		9.4	9.4	9.4
Equity attributable to the owners of the parent company		**1,143.7**	**788.8**	**842.5**
Minority interest		21.6	19.1	19.8
Total equity		**1,165.3**	**807.9**	**862.3**

Consolidated statement of changes in shareholders' equity

For the 6 months to 30 June 2015

	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 2015	**50.4**	**385.8**	**40.2**	**359.2**	**(2.5)**	**9.4**	**842.5**	**19.8**	**862.3**
(Unaudited)									
Profit for the period	–	–	–	208.3	–	–	208.3	2.4	210.7
Other comprehensive income for the period	–	–	–	–	1.8	–	1.8	–	1.8
Total comprehensive income for the period	–	–	–	208.3	1.8	–	210.1	2.4	212.5
Shares issued	5.1	107.5	–	–	–	–	112.6	–	112.6
Fair value of share based payments	–	–	–	1.2	–	–	1.2	–	1.2
Own shares acquired	–	–	–	(2.9)	–	–	(2.9)	–	(2.9)
Dividends paid to owners of the parent company	–	–	–	(19.8)	–	–	(19.8)	–	(19.8)
Dividends to minority interest	–	–	–	–	–	–	–	(0.6)	(0.6)
At 30 June 2015	**55.5**	**493.3**	**40.2**	**546.0**	**(0.7)**	**9.4**	**1,143.7**	**21.6**	**1,165.3**

	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 2014	**44.2**	**295.3**	**40.2**	**266.0**	**(1.8)**	**9.4**	**653.3**	**18.7**	**672.0**
Profit for the period	–	–	–	102.6	–	–	102.6	2.2	104.8
Other comprehensive income for the period	–	–	–	–	(0.7)	–	(0.7)	–	(0.7)
Total comprehensive income for the period	–	–	–	102.6	(0.7)	–	101.9	2.2	104.1
Shares issued	6.2	90.5	–	–	–	–	96.7	–	96.7
Fair value of share based payments	–	–	–	3.1	–	–	3.1	–	3.1
Own shares acquired	–	–	–	(1.8)	–	–	(1.8)	–	(1.8)
Dividends paid to owners of the parent company	–	–	–	(10.7)	–	–	(10.7)	–	(10.7)
Dividends to minority interest	–	–	–	–	–	–	–	(1.1)	(1.1)
At 31 December 2014	**50.4**	**385.8**	**40.2**	**359.2**	**(2.5)**	**9.4**	**842.5**	**19.8**	**862.3**

Consolidated statement of cash flows

For the 6 months to 30 June 2015

	Unaudited 6 months to 30 June 2015 £m	Unaudited 6 months to 30 June 2014 £m	Year to 31 December 2014 £m
Cash flows from operating activities	**100.9**	**10.2**	**44.7**
Cash flows from taxation	**–**	**(0.2)**	**(0.5)**
Investing activities			
Proceeds from sale of investment property	(0.2)	(0.4)	62.9
Repayment of loan to joint ventures	–	10.7	10.7
Loans to joint ventures	(30.5)	(10.8)	(12.8)
Dividends received	11.0	13.3	22.2
Interest received	0.1	0.1	0.1
Investment in joint ventures	(48.2)	(73.3)	(103.3)
Acquisition of intangible assets	(4.3)	(2.0)	(5.7)
Acquisition of property	(26.8)	(21.6)	(45.9)
Acquisition of plant and equipment	(1.1)	(0.8)	(4.8)
Cash flows from investing activities	**(100.0)**	**(84.8)**	**(76.6)**
Financing activities			
Total interest paid	(11.4)	(11.8)	(24.8)
Interest capitalised into inventory and property under development included in cash flows from operating activities	–	2.8	4.0
Interest paid in respect of financing activities	(11.4)	(9.0)	(20.8)
Ineffective swap payments	(1.0)	(3.6)	(4.0)
Proceeds from the issue of share capital	112.6	96.0	96.7
Payments to acquire own shares	(2.9)	–	(1.8)
Proceeds from non-current borrowings	37.9	124.5	124.8
Repayment of borrowings	(51.5)	(150.9)	(152.5)
Dividends paid to the owners of the parent company	(19.8)	(6.3)	(10.7)
Dividends paid to minority interest	(0.6)	(0.6)	(1.1)
Cash flows from financing activities	**63.3**	**50.1**	**30.6**
Net increase/(decrease) in cash and cash equivalents	**64.2**	**(24.7)**	**(1.8)**
Cash and cash equivalents at start of period	41.4	43.2	43.2
Cash and cash equivalents at end of period	**105.6**	**18.5**	**41.4**

Notes to the interim financial statements

Section 1: Basis of preparation

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

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

As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the company's published consolidated financial statements for the year ended 31 December 2014.

The comparative figures for the financial year ended 31 December 2014 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 board have continued to consider the principal risks and the appropriateness of risk management systems and consider that the principal risks remain consistent with those noted in the Annual Report for the year ended 31 December 2014 (pages 26 to 29). These are summarised as follows:

i. Reduction in demand as a result of change in government policy, other political risks or changes in behaviour of students
ii. Increased competition
iii. Reputational damage
iv. Property cycle risk
v. Development risks
vi. Availability of finance, change in interest rate and risks associated with fund management.

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

The Group has prepared cash flow forecasts to the end of 2016. Following the recent financing activity and equity raise, the Group has significant levels of cash headroom. The Group has a borrowing facility expiring in the second half of 2016 and has agreed terms with relationship banks to refinance this facility. The Group continues to maintain positive relationships with its lending banks and has historically been able to secure facilities before maturity dates. The group is in full compliance with its borrowing covenants.

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 period

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 period, 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.

EPRA performance measures

	Note	Unaudited 30 June 2015 £	Unaudited 30 June 2014 £	31 December 2014 £
EPRA earnings	2.2a	29.6m	20.4m	33.3m
EPRA earnings per share (pence)	2.2c	14.2p	10.9p	17.2p
EPRA NAV	2.3a	1,164.2m	816.5m	881.1m
EPRA NAV per share (pence)	2.3d	521p	402p	434p
EPRA NNNAV	2.3c	1,114.8m	802.1m	870.7m
EPRA NNNAV per share (pence)	2.3d	499p	395p	429p

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 2015 and 30 June 2014 and for the year ended 31 December 2014 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 in the Operations review on pages 30 – 32 of the 2014 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 2015

	UNITE	Share of joint ventures				Group on see through basis
	Total £m	USAF £m	LSAV £m	OCB £m	Total £m	Total £m
Rental income	51.6	16.4	9.0	–	25.4	77.0
Property operating expenses	(13.7)	(4.1)	(0.7)	–	(4.8)	(18.5)
Net operating income	**37.9**	**12.3**	**8.3**	**–**	**20.6**	**58.5**
Management fees	8.0	(1.0)	(1.6)	–	(2.6)	5.4
Operating expenses	(8.8)	(0.1)	(0.2)	–	(0.3)	(9.1)
	37.1	11.2	6.5	–	17.7	54.8
Operating lease rentals*	(7.6)	–	–	–	–	(7.6)
Net financing costs	(12.6)	(2.9)	(1.9)	–	(4.8)	(17.4)
Operations segment result	**16.9**	**8.3**	**4.6**	**–**	**12.9**	**29.8**
Property segment result	**(0.6)**	**–**	**–**	**–**	**–**	**(0.6)**
Unallocated to segments	**0.4**	**–**	**–**	**–**	**–**	**0.4**
EPRA earnings	**16.7**	**8.3**	**4.6**	**–**	**12.9**	**29.6**

Included in the above is rental income of £11.2 million and property operating expenses of £3.6 million relating to sale and leaseback properties.
The unallocated to segments includes the fair value of share based payments of (£1.7 million), UNITE Foundation of (£0.3million), USAF acquisition fee of £1.8 million, net USAF performance fee of £1.6 million and current tax charges of (£0.9 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.

Unaudited 30 June 2014

	UNITE	Share of joint ventures				Group on see through basis
	Total £m	USAF £m	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 fee	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).

31 December 2014

	UNITE	Share of joint ventures				Group on see through basis
	Total £m	USAF £m	LSAV £m	OCB £m	Total £m	Total £m
Rental income	89.4	25.9	13.5	1.2	40.6	130.0
Property operating expenses	(25.9)	(7.5)	(2.0)	(0.3)	(9.8)	(35.7)
Net operating income	**63.5**	**18.4**	**11.5**	**0.9**	**30.8**	**94.3**
Management fees	13.8	(1.7)	(2.0)	(0.1)	(3.8)	10.0
Operating expenses	(19.4)	(0.2)	(0.3)	–	(0.5)	(19.9)
	57.9	16.5	9.2	0.8	26.5	84.4
Operating lease rentals*	(14.4)	–	–	–	–	(14.4)
Net financing costs	(21.7)	(5.2)	(3.8)	(0.5)	(9.5)	(31.2)
Operations segment result	**21.8**	**11.3**	**5.4**	**0.3**	**17.0**	**38.8**
Property segment result	**(3.6)**	**–**	**–**	**–**	**–**	**(3.6)**
Unallocated to segments	**(2.3)**	**0.4**	**–**	**–**	**0.4**	**(1.9)**
EPRA earnings	**15.9**	**11.7**	**5.4**	**0.3**	**17.4**	**33.3**

Included in the above is rental income of £20.3 million and property operating expenses of £6.2 million relating to sale and leaseback properties.
The unallocated to segments includes the fair value of share based payments of (£2.1 million), UNITE Foundation of (£0.9 million), share of monies received from Landsbanki of £0.4 million, fees received from USAF relating to acquisitions of £1.2 million, deferred tax of £0.5 million and current tax charges of (£1.0 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 2015 £m	Unaudited 6 months to 30 June 2014 £m	Year to 31 December 2014 £m
EPRA earnings	2.2a	**29.6**	**20.4**	**33.3**
Net valuation gains on investment property		82.9	14.0	43.3
Property disposals and write downs		6.8	(2.4)	(3.3)
Share of joint venture gains on investment property	3.3a	106.1	14.5	35.7
Share of joint venture property disposals and write downs		0.1	(0.8)	(0.6)
Mark to market changes in interest rate swaps*		(0.3)	(1.0)	(1.3)
Interest rate swap payments on ineffective hedges*		0.7	0.7	1.2
Debt exit costs		–	(1.6)	(1.6)
Share of joint venture debt exit costs	3.3a	–	(0.1)	(0.1)
Deferred tax relating to interest rate swap movement		(0.5)	0.3	(0.2)
Deferred tax relating to properties		(15.1)	–	(2.7)
Minority interest share of reconciling items**		(2.0)	(0.4)	(1.1)
Profit attributable to owners of the parent company		**208.3**	**43.6**	**102.6**

* Within IFRS reported profit, there is a £0.3 million loss (30 June 2014: £1.0 million loss) relating to movements in the mark to market of ineffective interest rate swaps. Part of this movement, £0.7 million (30 June 2014: £0.7 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 is calculated using EPRA earnings.

The calculations of basic, diluted and EPRA EPS for the 6 months ended 30 June 2015 is as follows:

	Note	Unaudited 6 months to 30 June 2015 £m	Unaudited 6 months to 30 June 2014 £m	Year to 31 December 2014 £m
Earnings				
Basic (and diluted)		208.3	43.6	102.6
EPRA	2.2a	29.6	20.4	33.3
Weighted average number of shares (thousands)				
Basic		208,070	186,412	193,319
Dilutive potential ordinary shares (share options and convertible bond)		19,126	2,148	2,966
Diluted		227,196	188,560	196,285
Earnings per share (pence)				
Basic		100.1p	23.4p	53.1p
Diluted		91.7p	23.1p	52.3p
EPRA EPS		**14.2p**	**10.9p**	**17.2p**

Movements in the weighted average number of shares have resulted from the placing in April 2015 and the issue of shares arising from the employee share based payment schemes.

The placing comprised 20,137,000 shares and gave rise to proceeds of £114.8 million, £112.3 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 in the Property review on pages 33 - 36 of the 2014 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 2015		
	Wholly owned £m	Share of JV's £m	Total £m
Investment properties	926.9	728.7	1,655.6
Completed properties*	–	–	–
Total income producing properties	926.9	728.7	1,655.6
Investment properties under development	83.9	101.8	185.7
Properties under development*	–	–	–
Total development properties	83.9	101.8	185.7
Total property portfolio	**1,010.8**	**830.5**	**1,841.3**
Debt on properties	(478.3)	(296.2)	(774.5)
Cash	105.6	22.8	128.4
Net debt	**(372.7)**	**(273.4)**	**(646.1)**
Other liabilities	(16.8)	(14.2)	(31.0)
EPRA net assets	**621.3**	**542.9**	**1,164.2**
Loan to value	**37%**	**33%**	**35%**

*At market value

	Unaudited 30 June 2014		
	Wholly owned £m	Share of JV's £m	Total £m
Investment properties	782.8	492.1	1,274.9
Completed properties*	–	–	–
Total income producing properties	**782.8**	**492.1**	**1,274.9**
Investment properties under development	117.7	48.3	166.0
Properties under development*	92.5	–	92.5
Total development properties	**210.2**	**48.3**	**258.5**
Total property portfolio	**993.0**	**540.4**	**1,533.4**
Debt on properties	(489.2)	(240.7)	(729.9)
Cash	18.5	41.8	60.3
Net debt	**(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%**

*At market value

	31 December 2014		
	Wholly owned £m	Share of JV's £m	Total £m
Investment properties	850.5	558.4	1,408.9
Completed properties*	101.3	–	101.3
Total income producing properties	**951.8**	**558.4**	**1,510.2**
Investment properties under development	49.2	65.1	114.3
Properties under development*	–	–	–
Total development properties	**49.2**	**65.1**	**114.3**
Total property portfolio	**1,001.0**	**623.5**	**1,624.5**
Debt on properties	(489.8)	(270.7)	(760.5)
Cash	41.4	21.8	63.2
Net debt	**(448.4)**	**(248.9)**	**(697.3)**
Other liabilities	(38.0)	(8.1)	(46.1)
EPRA net assets	**514.6**	**366.5**	**881.1**
Loan to value	**45%**	**40%**	**43%**

* At market value

b) Movement in EPRA NAV during the period

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

Unaudited 30 June 2015

	UNITE	Share of joint ventures				Group on see through basis
	Total £m	USAF £m	LSAV £m	OCB £m	Total £m	Total £m
Operations						
Operations segment result	**16.9**	**8.3**	**4.6**	**–**	**12.9**	**29.8**
Property						
Rental growth	20.8	1.8	20.2	–	22.0	42.8
Yield movement	52.2	25.1	30.0	–	55.1	107.3
Disposals and acquisition costs	(17.3)	0.1	–	–	0.1	(17.2)
Investment property gains	55.7	27.0	50.2	–	77.2	132.9
Development property gains	9.9	–	19.9	–	19.9	29.8
Pre-contract and other development costs	(0.6)	–	–	–	–	(0.6)
Total property	**65.0**	**27.0**	**70.1**	**–**	**97.1**	**162.1**
Unallocated						
Shares issued	112.6	–	–	–	–	112.6
Investment in joint ventures	(66.4)	50.2	16.2	–	66.4	–
Dividends paid	(19.8)	–	–	–	–	(19.8)
Swap losses and debt exit costs	(0.3)	–	–	–	–	(0.3)
Other	(1.3)	–	–	–	–	(1.3)
Total unallocated	**24.8**	**50.2**	**16.2**	**–**	**66.4**	**91.2**
Total EPRA NAV movement in the period	**106.7**	**85.5**	**90.9**	**–**	**176.4**	**283.1**
Total EPRA NAV brought forward	514.6	206.9	159.6	–	366.5	881.1
Total EPRA NAV carried forward	**621.3**	**292.4**	**250.5**	**–**	**542.9**	**1,164.2**

The £1.3 million charge that comprises the other balance within the unallocated segment includes a tax charge of £0.9 million and a contribution of £0.3 million to the UNITE Foundation.

Unaudited 30 June 2014

	UNITE	Share of joint ventures				Group on see through basis
	Total £m	USAF £m	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**

The £0.2 million charge that comprises the other balance within the unallocated segment includes a tax charge of £0.3 million, a contribution of £0.2 million to the UNITE Foundation and £0.4 million relating to a share of the monies received from Landsbanki.

31 December 2014

	UNITE	Share of joint ventures				Group on see through basis
	Total £m	USAF £m	LSAV £m	OCB £m	Total £m	Total £m
Operations						
Operations segment result	**21.8**	**11.3**	**5.4**	**0.3**	**17.0**	**38.8**
Property						
Rental growth	13.0	5.9	2.2	–	8.1	21.1
Yield movement	18.6	5.2	6.7	–	11.9	30.5
Disposals and acquisition costs	(5.7)	–	1.9	(0.3)	1.6	(4.1)
Investment property gains	25.9	11.1	10.8	(0.3)	21.6	47.5
Development property gains	20.3	–	14.7	–	14.7	35.0
Pre-contract and other development costs	(3.6)	–	–	–	–	(3.6)
Total property	**42.6**	**11.1**	**25.5**	**(0.3)**	**36.3**	**78.9**
Unallocated						
Shares issued	96.7	–	–	–	–	96.7
Investment in joint ventures	(84.0)	59.5	42.5	(18.0)	84.0	–
Dividends paid	(10.7)	–	–	–	–	(10.7)
USAF property acquisition fee	1.2	–	–	–	–	1.2
Swap losses and debt exit costs	(3.3)	–	–	(0.1)	(0.1)	(3.4)
Other	(2.4)	0.4	–	–	0.4	(2.0)
Total unallocated	**(2.5)**	**59.9**	**42.5**	**(18.1)**	**84.3**	**81.8**
Total EPRA NAV movement in the period	**61.9**	**82.3**	**73.4**	**(18.1)**	**137.6**	**199.5**
Total EPRA NAV brought forward	452.7	124.6	86.2	18.1	228.9	681.6
Total EPRA NAV carried forward	**514.6**	**206.9**	**159.6**	**–**	**366.5**	**881.1**

The £2.0 million charge that comprises the other balance within the unallocated segment includes a tax charge of £1.5 million, a contribution of £0.9 million to the UNITE Foundation and £0.4 million relating to a share of the monies received from Landsbanki.

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 adjusts 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 2015 £m	Unaudited 6 months to 30 June 2014 £m	Year to 31 December 2014 £m
Net asset value reported under IFRS		**1,143.7**	**788.8**	**842.5**
Recognise valuation gain on property held at cost	3.1	–	25.1	31.2
Mark to market interest rate swaps		1.9	2.6	4.8
Deferred tax		18.6	–	2.6
EPRA NAV	2.3a	**1,164.2**	**816.5**	**881.1**
Mark to market of fixed rate debt		(28.9)	(11.8)	(3.0)
Mark to market interest rate swaps		(1.9)	(2.6)	(4.8)
Deferred tax		(18.6)	–	(2.6)
EPRA NNNAV		**1,114.8**	**802.1**	**870.7**

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

	Note	Unaudited 30 June 2015 £m	Unaudited 30 June 2014 £m	31 December 2014 £m
Net assets				
Basic	2.3c	1,143.7	788.8	842.5
EPRA pre-dilution	2.3a	1,164.2	816.5	881.1
EPRA diluted		1,165.5	818.4	882.3
EPRA NNNAV (diluted)		1,116.1	804.0	871.9
Number of shares (thousands)				
Basic		223,247	201,435	202,362
Outstanding share options		313	2,029	873
Diluted		223,560	203,464	203,235
Net asset value per share (pence)				
Basic		512p	392p	416p
EPRA pre dilution		522p	405p	435p
EPRA (fully diluted)		**521p**	**402p**	**434p**
EPRA NNNAV (fully diluted)		**499p**	**395p**	**429p**

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 2015 £m	Unaudited 6 months to 30 June 2014 £m	Year to 31 December 2014 £m
Rental income	Operations segment	2.2a	51.6	45.0	89.4
Management fees	Operations segment		12.8	5.5	12.0
Development fees	Property segment		0.7	2.3	2.7
Property sales	Unallocated		77.1	5.2	4.6
			142.2	58.0	108.7
Impact of minority interest on management fees			(0.4)	(0.1)	(0.2)
Total revenue			**141.8**	**57.9**	**108.5**

The cost of sales included in the consolidated income statement includes property operating expenses of £13.7 million (30 June 2014: £11.2 million), operating lease rentals of £7.6 million (30 June 2014: £7.0 million), costs associated with development fees of £0.8 million (30 June 2014: £2.3 million) and the carrying value of property sales of £70.1 million (30 June 2014: £7.3 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 four 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) Completed properties (current assets)

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

iv) Properties under development (current assets)

These are assets which are currently in the course of construction and 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 2015 and 2014.

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 period ended 30 June 2015 are shown in the table below. Whilst completed property and property under development are held at cost on the balance sheet, the Group manages the assets based on their market value (fair value). These properties are included in 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 the period ended 30 June 2015 are also shown below.

Unaudited 30 June 2015

	Investment property £m	Investment property under development £m	Completed property £m	Property under development £m	Total £m
At 1 January 2015	850.5	49.2	70.1	–	969.8
Cost capitalised	3.4	23.7	–	–	27.1
Interest capitalised	–	1.1	–	–	1.1
Disposals	–	–	(70.1)	–	(70.1)
Valuation gains	74.6	9.9	–	–	84.5
Valuation losses	(1.6)	–	–	–	(1.6)
Net valuation gains	73.0	9.9	–	–	82.9
Carrying value at 30 June 2015	**926.9**	**83.9**	**–**	**–**	**1,010.8**
Valuation gains not recognised under IFRS but included in EPRA NAV					
Brought forward	–	–	31.2	–	31.2
Disposals	–	–	(31.2)	–	(31.2)
	–	–	–	–	–
Market value at 30 June 2015	**926.9**	**83.9**	**–**	**–**	**1,010.8**

The movements in the carrying value of the Group's wholly owned property portfolio during the period ended 30 June 2014 and the fair value of the Group's wholly owned property portfolio at the year ended 30 June 2014 is as follows:

Unaudited 30 June 2014

	Investment property £m	Investment property under development £m	Completed property £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**
Valuation gains not recognised under IFRS but included in EPRA NAV					
Brought forward	–	–	–	22.8	22.8
Valuation gain in year	–	–	–	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 period ended 31 December 2014 and the fair value of the Group's wholly owned property portfolio at the year ended 31 December 2014 is as follows:

31 December 2014

	Investment property £m	Investment property under development £m	Completed property £m	Property under development £m	Total £m
At 1 January 2014	767.6	95.5	–	61.5	924.6
Cost capitalised	6.4	46.8	–	11.9	65.1
Interest capitalised	–	4.0	–	4.0	8.0
Transfer from property under development	–	–	70.1	(70.1)	–
Transfer from investment property under development	85.1	(85.1)	–	–	–
Disposals	(44.4)	(19.5)	–	(7.3)	(71.2)
Valuation gains	40.7	7.5	–	–	48.2
Valuation losses	(4.9)	–	–	–	(4.9)
Net valuation gains	35.8	7.5	–	–	43.3
Carrying value at 31 December 2014	**850.5**	**49.2**	**70.1**	**–**	**969.8**
Valuation gains not recognised under IFRS but included in EPRA NAV					
Brought forward	–	–	–	22.8	22.8
Transfer from property under development	–	–	25.1	(25.1)	–
Valuation gain in year	–	–	6.1	2.3	8.4
	–	–	31.2	–	31.2
Market value at 31 December 2014	**850.5**	**49.2**	**101.3**	**–**	**1,001.0**

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 2015 £m	6 months to 30 June 2014 £m	31 December 2014 £m
London – rental properties	379.7	276.9	438.1
Major provincial – rental properties	370.6	339.9	346.1
Other provincial – rental properties	176.6	166.0	167.6
London – development properties	–	175.2	–
Major provincial – development properties	61.6	16.7	42.3
Other provincial – development properties	22.3	18.3	6.9
Market value	**1,010.8**	**993.0**	**1,001.0**

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

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

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

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

Fair value using unobservable inputs (Level 3)

	6 months to 30 June 2015 £m	6 months to 30 June 2014 £m	31 December 2014 £m
Opening fair value	1,001.0	947.4	947.4
Gains and losses recognised in income statement	82.9	14.0	43.3
Gains and losses not recognised on properties under development	–	2.3	8.4
Acquisitions	–	–	–
Capital expenditure	28.2	36.6	53.6
Disposals	(101.3)	(7.3)	(51.7)
Closing fair value	**1,010.8**	**993.0**	**1,001.0**

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)	£199 - £311	£231
- rental properties	379.7	cash flows	Estimated future rent (%)	2.0% - 3.0%	3.0%
			Discount rate (yield) (%)	5.0% - 5.5%	5.1%
Major provincial		Discounted	Net rental income (£ per week)	£100 - £148	£118
- rental properties	370.6	cash flows	Estimated future rent (%)	3.0% - 4.0%	3.5%
			Discount rate (yield) (%)	5.6% - 7.0%	6.1%
Other provincial		Discounted	Net rental income (£ per week)	£84 - £141	£115
- rental properties	176.6	cash flows	Estimated future rent (%)	2.0% - 3.0%	3.0%
			Discount rate (yield) (%)	6.0% - 8.6%	6.6%
Major provincial		Discounted	Estimated cost to complete (£m)	£1.6m - £36.7m	£26.6m
- development properties	61.6	cash flows	Estimated future rent (%)	3.0%	3.0%
			Discount rate (yield) (%)	5.7% - 6.0%	5.9%
Other provincial		Discounted	Estimated cost to complete (£m)	£13.9m - £29.1m	£25.2m
- development properties	22.3	cash flows	Estimated future rent (%)	3.0%	3.0%
			Discount rate (yield) (%)	6.0%	6.0%
Fair value at 30 June 2015	**1,010.8**				

	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 (%)	2.0% – 3.0%	3.0%
			Discount rate (yield) (%)	6.0% – 6.3%	6.2%
Major provincial		Discounted	Net rental income (£ per week)	£97 – £139	£114
- rental properties	339.9	cash flows	Estimated future rent (%)	2.0% – 3.0%	3.0%
			Discount rate (yield) (%)	6.4% – 6.8%	6.4%
Other provincial		Discounted	Net rental income (£ per week)	£80 – £135	£112
- rental properties	166.0	cash flows	Estimated future rent (%)	2.0% – 3.0%	3.0%
			Discount rate (yield) (%)	6.4% – 8.5%	6.9%
London		Discounted	Estimated cost to complete (£m)	£0.6m – £1.1m	£0.9m
- development properties	175.2	cash flows	Estimated future rent (%)	3.0%	3.0%
			Discount rate (yield) (%)	6.0% – 6.5%	6.3%
Major provincial		Discounted	Estimated cost to complete (£m)	£15.5m	£15.5m
- development properties	16.7	cash flows	Estimated future rent (%)	3.0%	3.0%
			Discount rate (yield) (%)	6.3%	6.3%
Other provincial		Discounted	Estimated cost to complete (£m)	£1.1m	£1.1m
- development properties	18.3	cash flows	Estimated future rent (%)	3.0%	3.0%
			Discount rate (yield) (%)	6.7%	6.7%
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)	£161 - £297	£202
- rental properties	438.1	cash flows	Estimated future rent (%)	1.0% - 3.0%	3.0%
			Discount rate (yield) (%)	5.5% - 6.0%	5.7%
Major provincial		Discounted	Net rental income (£ per week)	£88 - £141	£113
- rental properties	346.1	cash flows	Estimated future rent (%)	2.0% - 4.0%	3.0%
			Discount rate (yield) (%)	6.1% - 6.9%	6.5%
Other provincial		Discounted	Net rental income (£ per week)	£80 - £121	£107
- rental properties	167.6	cash flows	Estimated future rent (%)	2.0% - 3.0%	3.0%
			Discount rate (yield) (%)	6.3% - 8.6%	6.8%
Major provincial		Discounted	Estimated cost to complete (£m)	£9.1m - £38.7m	£25.9m
- development properties	42.3	cash flows	Estimated future rent (%)	3.0%	3.0%
			Discount rate (yield) (%)	6.4% - 6.5%	6.5%
Other provincial		Discounted	Estimated cost to complete (£m)	£36.5m	£36.5m
- development properties	6.9	cash flows	Estimated future rent (%)	3.0%	3.0%
			Discount rate (yield) (%)	7.0%	7.0%
Fair value at 31 December 2014	**1,001.0**				

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 2015 £m	Unaudited 6 months to 30 June 2014 £m	Year to 31 December 2014 £m
Interests in land	1.8	1.6	1.5
Other stocks	3.6	1.6	2.4
Inventories	**5.4**	**3.2**	**3.9**

3.3 Investments in joint ventures

The Group has two joint ventures:

Joint venture	Group's share of assets/results 2015 (2014)	Objective	Partner	Legal entity in which Group has interest
The UNITE UK Student Accommodation Fund (USAF)	23.0%* (22.9%)	Invest and operate student accommodation throughout the UK	Consortium of investors	UNITE Student Accommodation Fund, a Jersey Unit Trust
London Student Accommodation Venture (LSAV)	50% (50%)	Develop and operate student accommodation in London and Edinburgh	GIC Real Estate Pte, Ltd Real estate investment vehicle of the Government of Singapore	LSAV Unit Trust, a Jersey Unit Trust and LSAV (Holdings) Ltd, incorporated in Jersey

* Part of the Group's interest is held through a subsidiary, USAF (Feeder) Guernsey Ltd, in which there is an external investor. A minority interest therefore occurs on consolidation of the Group's results representing the external investor's share of profits and assets relating to its investment in USAF. The ordinary shareholders of The UNITE Group plc are beneficially interested in 21.4% (30 June 2014: 20.7%) of USAF.

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

The carrying value of the Group's investment in joint ventures has increased by £179.0 million during the 6 months ended 30 June 2015 (30 June 2014: £94.7 million), resulting in an overall carrying value of £562.8 million (30 June 2014: £331.9 million). The following table shows how the increase has been achieved.

	Unaudited 30 June 2015			Unaudited 30 June 2014		
	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	12.9	–	12.9	8.2	–	8.2
Minority interest share of Operations segment result	0.8	–	0.8	0.7	–	0.7
Management fee adjustment relating to trading with joint venture	1.8	–	1.8	1.4	–	1.4
Net revaluation gains	106.1	–	106.1	14.5	–	14.5
Discount on interest free loans	–	–	–	(0.4)	0.4	–
Debt exit costs	–	–	–	(0.1)	–	(0.1)
Landsbanki cash received	–	–	–	0.4	–	0.4
Loss on disposal of investment property	–	–	–	(0.8)	–	(0.8)
Other	0.2	–	0.2	0.1	–	0.1
	121.8	–	121.8	24.0	0.4	24.4
Recognised in equity:						
Movement in effective hedges	0.7	–	0.7	(0.1)	–	(0.1)
Other adjustments to the carrying value:						
Profit adjustment related to trading with joint venture	(11.2)	–	(11.2)	–	0.1	0.1
Repayment of loan to OCB	–	–	–	–	(10.7)	(10.7)
Additional loan to USAF	30.5	–	30.5	10.8	–	10.8
Additional capital invested in USAF	29.1	–	29.1	44.0	–	44.0
Additional capital invested in UCC	–	–	–	26.5	–	26.5
Additional capital invested in LSAV	19.1	–	19.1	2.8	–	2.8
Distributions received	(11.0)	–	(11.0)	(13.3)	–	(13.3)
Increase in carrying value	**179.0**	**–**	**179.0**	**94.7**	**(10.2)**	**84.5**
Carrying value at 1 January	383.8	–	383.8	237.2	10.2	247.4
Carrying value at 30 June	**562.8**	**–**	**562.8**	**331.9**	**–**	**331.9**

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 2014 the remaining joint venture investment loan to OCB was repaid as part of the disposal of the OCB joint venture.

	31 December 2014		
	Investment in joint venture £m	Joint venture investment loan £m	Total interest £m
Recognised in the income statement:			
Operations segment result	17.0	–	17.0
Minority interest share of Operations segment result	1.3	–	1.3
Management fee adjustment relating to trading with joint venture	3.0	–	3.0
Net revaluation gains	35.7	–	35.7
Discount on interest free loans	(0.4)	0.4	–
Debt exit costs	(0.1)	–	(0.1)
Landsbanki cash received	0.4	–	0.4
Loss on disposal of properties	(0.6)	–	(0.6)
Other	0.2	–	0.2
	56.5	0.4	56.9
Recognised in equity:			
Movement in effective hedges	(2.3)	–	(2.3)
Other adjustments to the carrying value:			
Profit adjustment related to trading with joint venture	(1.5)	0.1	(1.4)
Repayment of loan to OCB	–	(10.7)	(10.7)
Increase in loan to USAF	12.8	–	12.8
Additional capital invested in USAF	57.1	–	57.1
Additional capital invested in UCC	26.5	–	26.5
Additional capital invested in LSAV	19.7	–	19.7
Distributions received	(22.2)	–	(22.2)
Increase in carrying value	**146.6**	**(10.2)**	**136.4**
Carrying value at 1 January	237.2	10.2	247.4
Carrying value at 31 December	**383.8**	**–**	**383.8**

b) Transactions with joint ventures

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

	Unaudited 6 months to 30 June 2015 £m	Unaudited 6 months to 30 June 2014 £m	Year to 31 December 2014 £m
USAF	3.8	3.3	6.9
LSAV	2.3	1.8	3.4
OCB	–	0.3	0.3
Property management fees	**6.1**	**5.4**	**10.6**
LSAV	0.7	2.3	2.7
Development management fees	**0.7**	**2.3**	**2.7**
USAF *	6.3	–	1.4
Investment management fees	**6.3**	**–**	**1.4**
Total fees	**13.1**	**7.7**	**14.7**

* Total investment management fees of £6.3 million is shown before deduction of associated costs of £3.3 million, shown after deduction of these costs in note 2.2a

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 2015 £m	Unaudited 6 months to 30 June 2014 £m	Year to 31 December 2014 £m
Current			
In one year or less, or on demand	9.2	1.3	12.5
Non-current			
In more than one year but not more than two years	31.4	12.2	40.5
In more than two years but not more than five years	196.9	145.3	106.7
In more than five years	240.8	330.4	330.1
	469.1	487.9	477.3
Total borrowings	**478.3**	**489.2**	**489.8**

The carrying value of borrowings is considered to be approximate to fair value, except for the Group's fixed rate loans carried at £332.5 million (30 June 2014: £333.0 million) and the convertible bond carried at £82.5 million (30 June 2014: £81.6 million). 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 £214.8 million (30 June 2014: £188.1 million).

The remaining £242.5 million (30 June 2014: £243.0 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 £229.7 million (30 June 2014: £241.5 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 2015 £m	Unaudited 6 months to 30 June 2014 £m	Year to 31 December 2014 £m
Current	0.1	0.9	0.4
Non-current	–	1.5	1.9
Fair value of interest rate swaps	**0.1**	**2.4**	**2.3**

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 2015, the Company declared and paid a final dividend of £19.8 million (30 June 2014: £6.3 million). After the period end, the Directors proposed an interim dividend of 5.5p per share (30 June 2014: 2.2p 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 2015 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in shareholders' equity, the consolidated statement of cash flows and the related notes 1 to 4.3. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

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

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

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

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

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK

5 August 2015

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