PRESS RELEASE

26 July 2016

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 2016.

HIGHLIGHTS

Robust financial performance: increased earnings, NAV and dividend

- EPRA earnings up £6.5 million, 22% to £36.1 million (30 June 2015: £29.6 million)
- EPRA earnings per share up 15% to 16.3 pence (30 June 2015: 14.2 pence)
- EPRA NAV per share up 7% to 620 pence (31 December 2015: 579 pence) equating to a total accounting return of 8.7%
- Interim dividend increased 9% to 6.0 pence per share (2015 interim: 5.5 pence). Policy remains to distribute 65% of full-year recurring EPRA earnings by way of dividend each year
- Average yield compression across the portfolio of 8 basis points in the first six months to 5.5% (31 December 2015: 5.55%) net initial yield
- Leverage maintained at 35% LTV (31 December 2015: 35%)
- IFRS profit after tax £106.7 million (30 June 2015: £208.3 million), due to lower level of yield compression than in 2015

Continued progress against strategic objectives

- New scalable operating system, PRISM, fully implemented and delivering enhanced customer service and efficiency benefits. Remain on track to hit NOI margin target of 75% and overhead efficiency target of 25-30 basis points by the end of 2017
- Further strengthening of University relationships; 71% of new openings and 57% of all rooms let through University agreements underpinning future income
- 2,100 beds added to the secured pipeline for delivery in 2018 and 2019 supporting further earnings growth

Well positioned for continued earnings growth

- Student numbers expected to reach record levels again in 2016/17
- 89% of rooms reserved as at 25 July (2015: 88%) with rental growth levels in line with last year. We expect rental growth for the next academic year to continue in the 3-4% range
- Highly visible earnings growth trajectory. The delivery of our development pipeline together with rental growth could see our earnings grow by a further 14 to 19 pence over the next few years
- We remain on track to convert to a REIT at the start of 2017

Richard Smith, Chief Executive of Unite Students, commented:

"Throughout the first half of 2016 we have continued to deliver a strong performance on all fronts, delivered through our market leading brand, best in class operating platform, high quality portfolio and our relationships with the strongest Universities. Despite the uncertainty caused by the result of the EU referendum, the fundamentals of our business and the student accommodation sector remain strong.

The demand:supply outlook for student accommodation remains favourable and our earnings growth trajectory is underpinned by our efficiencies of scale and a high quality development pipeline, focused on cluster flat accommodation with a lower price point, where the rental growth outlook is strongest.

"We continue to assess the broader impacts on the market and maintain a disciplined approach to investment and development activities. We remain confident of delivering meaningful year on year earnings and dividend growth over the next few years and are well placed to benefit from opportunities that may emerge from this period of uncertainty."

PRESENTATION

Please note that there has been a change of time and venue for the presentation for analysts this morning which will now be held at 11am. The live webcast will be available at: www.unite-group.co.uk. Dial-in number for the presentation: +44 20 3059 8125. Please contact Bell Pottinger for further details.

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OVERVIEW

During the first half of 2016, our business has continued to perform strongly, benefitting from our focus on aligning our portfolio with the strongest University locations, our highly scalable and efficient 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 22% to £36.1 million (30 June 2015: £29.6 million), an increase of 15% on a per share basis to 16.3 pence (30 June 2015: 14.2 pence). EPRA NAV per share increased 7% over the six months to 620 pence (31 December 2015: 579 pence), equating to a total accounting return of 8.7% for the period.

Our key financial performance indicators are set out below:

Financial highlights	Six months to 30 June 2016	Six months to 30 June 2015	Year to 31 Dec 2015
EPRA earnings	£36.1m	£29.6m	£61.3m
EPRA EPS	16.3p	14.2p	28.6p
Adjusted EPRA EPS*	16.3p	14.2p	23.1p
EPRA NAV per share	620p	521p	579p
Dividend per share	6.0p	5.5p	15.5p
Total accounting return	8.7%	22.1%	36.7%
See-through LTV ratio	35%**	35%	35%

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

** See-through LTV is prepared on a proforma basis, taking account of a disposal made between 30 June and 26 July

We have again made excellent progress against our three core priorities: to be the most trusted brand in our sector, to operate the highest quality portfolio and to maintain the strongest capital structure. Customer satisfaction levels have increased year on year in response to the completion of our Home for Success investment programme and PRISM. New planning consents have added greater depth to our development pipeline and we continue to make progress with site acquisitions in locations where our investment criteria are met. See-through LTV has been maintained at 35%, on a proforma basis, as valuation growth and disposals have offset capital allocated to development activities. We intend to keep leverage at around the mid 30% level based on current yields.

Universities have continued to grow enrolment following the removal of the student number cap in 2015. This has created more competition amongst Universities where students now have greater choice. Universities with high and medium entry criteria have been more successful at attracting students and are growing more rapidly. Despite the growth in intake in 2015, of over 20,000 to 532,000 first year students, there were again over 180,000 applicants who were again unable to secure a place at University. This highlights a continuing and growing appetite for University education.

UK Higher Education continues to be recognised globally for the quality of its Universities, with 31% of Europe's and 16% of the world's top 100 Universities. As a result the UK is consistently the second most popular destination for international students, after the USA, attracting 425,000 international students, of whom 120,000 are from EU countries (7% of total full-time students).

Whilst it is too early to assess the impact of the referendum on EU student numbers, funding has been guaranteed for EU students for the next three years providing students and Universities with confidence in the near term.

Applications for the 2016/17 academic year are in line with 2015 overall and 3% up at high tariff Universities and we expect to see another year of strong growth in student intake. Given the growth in student intake over the last three years compared to 2013, overall student numbers in 2016/17 are expected to increase by 40,000-60,000 compared to 2015/16. We expect student numbers to carry on growing most strongly at high and mid-tariff Universities and therefore continue to position our portfolio accordingly. 82% of our income is generated from these institutions, up from 78% last year. Student numbers are expected to grow by around 90,000-100,000 in total over the next three years, exceeding the anticipated level of new supply of around 75,000 beds over the same period with the potential that supply levels will start to slow beyond 2018 as a result of the referendum.

Our reservations for the next academic year are also strong – 89% as of 25 July, compared to 88% at the same time in 2015 - and we expect rental growth for the full year to be in line with the 3.8% delivered in 2015. Rental growth is strongest for cluster flat accommodation, supporting the longer term repositioning of our estate to the lower price point, high growth opportunity and away from the higher priced studios, where much of the new competitor supply is being positioned. Looking forward to 2016/17, our expectation that student number growth in Unite cities will exceed the level of new supply, our rental growth outlook is to remain within the 3-4% range that we have delivered over the past few years.

Our business strategy remains consistent and focused. Firstly, we are continuing to invest in our market-leading brand and operating platform, particularly by leveraging technology, which 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, 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 earnings growth in the years ahead. Our development pipeline and operational expertise provide good visibility over the future growth in recurring earnings; 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. Despite the broader uncertainties created by the EU referendum, the demand:supply outlook for student accommodation remains favourable, and we will look to benefit from any opportunities that start to emerge.

OPERATIONS REVIEW

In the first six months of 2016, we delivered a 22% increase in EPRA earnings to £36.1 million or 16.3 pence per share (30 June 2015: £29.6 million, 14.2 pence per share). This increase was driven by high occupancy, rental growth, operational efficiencies driven by PRISM and further growth of the portfolio. The growth of £6.5 million has been delivered in 2016, without the benefit of over £3 million generated by USAF acquisition and performance fees in 2015.

Summary income statement	Six months to 30 June 2016 £m	Six months to 30 June 2015 £m	Year to 31 Dec 2015 £m
Unite's share of rental income	86.9	77.0	144.3
Unite's share of property operating expenses	(20.6)	(18.5)	(39.8)
Net operating income (NOI)	**66.3**	**58.5**	**104.5**
NOI margin	*76.3%*	*76.0%*	*72.5%*
Management fees	7.0	5.4	12.0
Operating expenses	(12.2)	(9,1)	(21.9)
Finance costs	(22.2)	(25.0)	(48.1)
Net portfolio contribution	**38.9**	**29.8**	**46.5**
USAF acquisition and performance fee	0.5	3.4	22.0
Development and other costs	(3.3)	(3.6)	(7.2)
EPRA earnings	**36.1**	**29.6**	**61.3**
Yield related element of performance fee	-	-	(11.8)
Adjusted EPRA earnings	36.1	29.6	49.5
EPRA EPS	16.3p	14.2p	28.6p
Adjusted EPRA EPS	**16.3p**	**14.2p**	**23.1p**

Our new scalable operating system, PRISM, was fully implemented and is delivering enhanced customer service benefits and is supporting the steady improvement in the Group's NOI margin to 76.3% for the six months (30 June 2015: 76.0%). 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 further improvements in NOI margins from these levels over the next few years towards our long-term target of 75%.

Through USAF portfolio acquisitions and new openings we continue to grow the size of the portfolio and will be operating 49,000 beds for the 2016/17 academic year, allowing us to generate efficiencies of scale. With PRISM now fully operational, an additional depreciation charge of £1 million per annum is included in our operating expenses. The overhead efficiency measure is 46 basis points on an annualised basis (31 December 2015: 48 basis points) and we remain on track to deliver our target of 25-30 basis points by the end of 2017 based on current yields.

USAF acquisition and performance fees have reduced to £0.5 million, generated by the acquisition of two forward funded properties in USAF. This compares to £1.8 million generated by the larger AUB portfolio acquisition and a net performance fee of £1.6 million in the first half of 2015. The USAF performance fee is calculated based on the fund's full year total return performance and given the uncertainty around property valuations, no performance fee has been recognised in the first half of the year (30 June 2015: £1.6 million).

Finance costs have fallen to £22.2 million (30 June 2015: £25.0 million) as the average cost of finance has fallen to 4.4% (30 June 2015: 4.7%) through lower margins and interest swap levels. Higher levels of development capex have resulted in an increased level of net debt and interest capitalised of £3.2 million, compared to £1.1 million in 2015. Development (pre-contract) and other costs have remained flat at £3.3 million (30 June 2015: £3.6 million) reflecting the ongoing levels of site acquisition in the business.

Home for Success investment programme

Our Home for Success investment programme is now complete, with the introduction of new service enhancements such as higher Wi-Fi speeds, longer opening hours and free kitchen and communal bathroom cleans, now well embedded and appreciated by students. These improvements have taken our customer satisfaction and HE reputation scores to highest ever levels and support our important relationships with Universities.

We have rebranded our entire portfolio including the upgrade of all of our common rooms, and substantially completed the installation of LED lighting throughout our estate. 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. Alongside our LED investment programme, we have also focused on engaging with students to change behaviours and we have been recognised for our progress on sustainability by the National Union of Students for our overall environmental impact.

We are continuing to reinvest a proportion of efficiency savings into improving customer service levels. Further enhancements to customer service levels are focused on helping students to make the most of their time whilst living with us, be that: supporting them to settle in to life at University through our Student Ambassador programme; supporting and flagging any welfare issues; and providing an environment that helps students to study, make connections and get prepared for life after University.

Our technology and digital offering to students has been further improved through Wi-Fi speed upgrades to 50Mbps throughout the estate in time for the 2016/17 intake and further improvements to customer communications channels. The Unite Student Hub and Living with uS app are now providing students with a dedicated and effective communication and information channel. Our student website generates an average of 100,000 unique visits per month and generates 30% of direct let sales. We have seen a 28% increase in visits through mobile devices and a 102% increase in mobile bookings through this sales cycle. We will continue to invest in our digital platform to enhance service levels to students and Universities.

Occupancy and rental growth

Occupancy and rental growth continue to be driven by the quality of our portfolio and its positioning alongside, and our partnerships with, the strongest Universities. Our lettings performance has been strong throughout the sales cycle, with reservations levels at 25 July at 89% for 2016/17 compared with 88% at the same time last year. The lettings position is underpinned by nominations agreements with Universities secured early in the sales cycle, itself an illustration of the increased confidence with which Universities are pursuing student recruitment and the strength of our brand in the Higher Education sector.

We expect the proportion of rooms let through nominations agreements to be 57% of the total portfolio for the 2016/17 academic year, in line with last year. We are continuing to strengthen our relationships with Universities and this can be seen through the lengthening of our average duration of nominations agreements to 10 years on the 2016 openings, compared with 7 years on existing agreements. Nominations agreements with strong University partners provide a greater level of income security and visibility of rental growth as well as demonstrating the quality of service that we provide to universities.

Our customer base for the 2015/16 academic year is made up of 66% UK and 34% international students (EU students make up 9% of the total). Following the referendum, the Government has confirmed that all existing EU students and those starting courses in 2016/17 will have funding provided for the duration of their courses. With strong applications from all customer groups we expect this split to remain broadly consistent in 2016/17.

As a result of our positive sales performance, we expect rental growth for the full year to be in line with the rental growth delivered in 2015. This rental growth is strongest on direct let cluster flat accommodation and we expect this trend to continue over the coming few years.

PROPERTY REVIEW

NAV growth

EPRA NAV per share increased by 7% to 620 pence at 30 June 2016 (31 December 2015: 579 pence). In total, EPRA net assets were £1,491 million at 30 June 2016, up from £1,394 million six months earlier.

The main drivers of the £97 million (41 pence per share) movement were:

- The growth in the value of the investment portfolio as a result of rental growth (+£31 million, +13 pence)
- Growth in the value of the development portfolio (+£22 million, +9 pence) comprising progress on site and yield compression
- The positive impact of retained profits after dividends paid (+£14 million, +6 pence)
- Yield compression of an average of 8 basis points across the investment portfolio (+£30 million, +13 pence)

Property portfolio

The valuation of our property portfolio at 30 June 2016 on a see-through basis (i.e. including our share of gross assets held in USAF and LSAV) was £2,263 million (31 December 2015: £2,065 million). The £198 million increase in portfolio value reflects the valuation movements outlined above together with capital expenditure on developments of £76 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 2016			30 June 2015			31 December 2015		
	Wholly owned £m	Share of Fund/JV £m	Total £m	Wholly owned £m	Share of Fund/JV £m	Total £m	Wholly owned £m	Share of Fund/JV £m	Total £m
Rental properties	1,062	869	1,931	927	729	1,656	1,024	811	1,835
Properties under development	222	110	332	84	101	185	150	80	230
Total property	1,284	979	2,263	1,011	830	1,841	1,174	891	2,065
Adjusted net debt	(514)	(313)	(827)	(373)	(273)	(746)	(448)	(283)	(731)
Other assets / (liabilities)	(16)	(13)	(29)	(17)	(14)	(31)	(5)	(188)	(23)
Convertible bond	84	-	84	-	-	-	83	-	83
EPRA net assets	**838**	**653**	**1,491**	**621**	**543**	**1,164**	**894**	**590**	**1,394**

The proportion of the property portfolio that is income generating is 85%, down from 89% at 31 December 2015, with 15% now under development as we have made progress with the development pipeline. We will continue to manage the development weighting of our balance sheet to remain within our internal cap of 20% going forward.

Geographically, 42% of the portfolio (on a see-through basis) is located in London with the remainder in strong regional locations. We expect this to remain around this level going forward although it could start to increase if opportunities in London start to re-emerge as a result of any reduction in land or build costs over the coming months.

Student accommodation yields

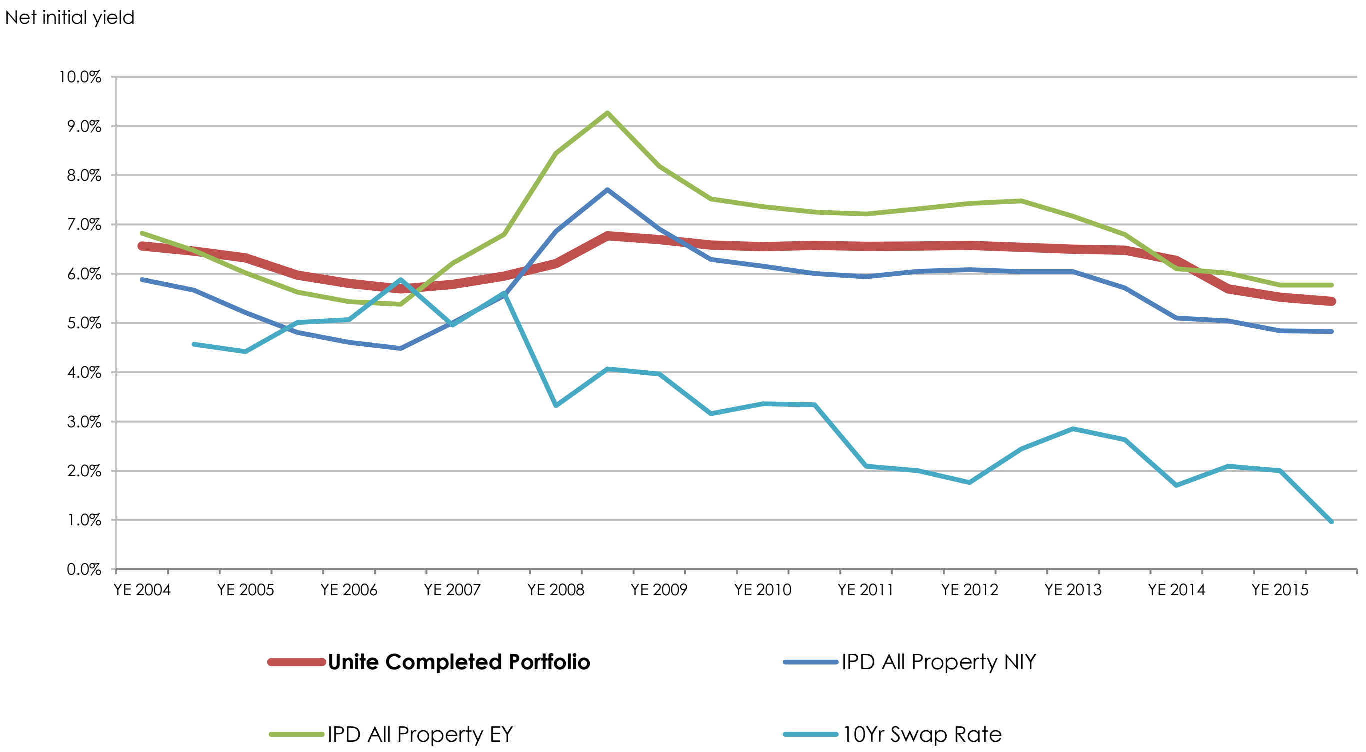
The level of transactions in the student accommodation sector in the first half of the year has slowed from the unprecedented levels seen in 2015. However, two large portfolios have been acquired by institutional international buyers. The competition for those portfolios has remained strong and has supported a modest level of yield compression across the sector.

This yield compression has been reflected in our portfolio and the average yield (on a see-through basis) at 30 June 2016 is 5.5%, an inward movement of 8 basis points over the first six months of the year. The valuations do not reflect any portfolio premium.

Over the last 18 months, when the first material yield movements were seen, the yield movement on our portfolio has totalled around 100 basis points; and yields are now approximately 125 basis points lower than their peak in 2009. Student yields have historically been less cyclical than other property sectors due to the more consistent demand drivers, with less linkage to economic cycles, and rental growth performance of the asset class. The spread of student accommodation yields to the 10 year gilt rate is now around 450 basis points, at or around an all-time high.

Encouragingly, we have also seen the sale of a single large asset in Coventry during July that is supportive of half year valuation yields.

Student accommodation yields



An indicative spread of direct let yields at 30 June 2016 by location is outlined below:

	30 June 2016	31 December 2015
London	4.25 – 5.25%	4.5 – 5.25%
Prime provincial	5.25 – 5.8%	5.35 – 5.8%
Provincial	6.0 - 6.5%	6.0 – 6.5%

The result of the EU referendum has resulted in a period of uncertainty in relation to many factors affecting the property market. The absence of transactions between the referendum (23 June) and 30 June means that the valuation of the portfolio is based on transactional evidence prior to that date. Whilst the fundamentals of the student accommodation sector remain positive, which should in turn lead to more resilient valuations, the investment market could be affected by the impact of this period of uncertainty on the broader property sector.

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 and within our target range of 8.0 - 8.5% yield on cost. Returns on potential new projects in London still remain below our hurdle rate of 7.0% due principally to higher alternative use values for prospective sites and planning levies, but we will look to capitalise on any opportunities that start to re-emerge in London over the coming months as a result of any uncertainty in the property market.

We have made good progress with our development activity in the first half of the year. The 2016 pipeline is nearing completion on time and to budget. Our recent track record of forward letting new deliveries has continued with 71% of the 3,100 beds opening this year reserved under nominations agreements, with an average duration of 10 years. The remaining beds are being let directly to students.

Over the first half of 2016, we have secured three further sites, on a subject to planning basis, in strong regional locations in line with our target returns. These developments will add around 2,100 beds in Birmingham, Liverpool and Portsmouth for delivery in 2018 and 2019. We have also pro-actively pushed back the delivery of the Constitution Street site in Aberdeen to 2019. The site is currently income producing as it is occupied by a commercial tenant.

Planning permission was granted on Millennium Point in Coventry in April and we have now started on site with fixed price contracts and are making good progress with all of the 2017 deliveries.

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	%
2016 completions								
Greetham Street	Portsmouth	836	65	42	8	2	13	9.3%
Causewayend	Aberdeen	399	39	24	9	0	5	9.8%
Far Gosford Street	Coventry	286	26	18	7	2	3	9.4%
2017 completions								
St Leonards	Edinburgh	581	60	41	4	24	12	9.5%
Tara House	Liverpool	776	62	46	9	27	12	9.3%
Millennium Point	Coventry	391	32	24	5	19	8	8.8%
2018 completions								
Newgate Street	Newcastle	569	48	36	1	35	11	8.5%
Old BRI[1]	Bristol	604	84	62	1	47	22	8.4%
Brunel House[1]	Bristol	228	26	19	1	9	8	8.5%
Chaucer House[1]	Portsmouth	446	39	30	1	30	9	8.0%
2019 completions								
Constitution Street	Aberdeen	600	54	39	-	32	9	8.6%
Skelhorne Street[1]	Liverpool	1,043	91	70	13	57	21	8.0%
International House[1]	Birmingham	575	49	38	-	37	11	8.0%
Total (wholly owned)		**7,334**	**675**	**488**	**59**	**321**	**146**	**8.7%**

[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								
2016 completions								
Stapleton House	London	862	147	86	20	6	22	8.8%
Wembley Park	London	699	87	49	13	1	19	9.2%
Total LSAV		**1,561**	**234**	**135**	**33**	**7**	**41**	**9.0%**
Unite share of LSAV		**781**	**117**	**68**	**17**	**3**	**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)	60	12
Secured LSAV projects (our share)	8	2
Total secured pipeline	68	14

Asset disposals

During July, Curzon Gateway in Birmingham was sold to HS2 under a compulsory purchase order for £44 million, in line with the book value of the asset. Asset disposals remain an important part of our strategy going forward to ensure that we position ourselves appropriately within the cities in which we operate. Disposals also provide the capital to fund further growth in our development pipeline for deliveries in 2019 and beyond. We will remain focused on capital discipline to balance further growth opportunities with our leverage targets and we expect to make £100-125 million of disposals in 2016. As part of this disposal programme, we are currently assessing potential disposals to USAF from the 2016 pipeline during the second half of the year.

The fundamentals of the student accommodation sector are well understood by institutional investors and we have seen encouraging signs that the student accommodation market continues to function post the EU referendum.

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 2016 £m	30 June 2015 £m	31 Dec 2015 £m
EPRA earnings	36.1	29.6	61.3
Valuation gains and profit / loss on disposal	84.2	195.9	324.6
Changes in valuation of interest rate swaps and debt break costs	-	0.4	(0.3)
Deferred tax	(12.6)	(15.6)	(31.1)
Minority interest & tax	(1.0)	(2.0)	(3.2)
Profit after tax	**106.7**	**208.3**	**351.9**
EPRA earnings per share	16.3p	14.2p	28.6p

EPRA earnings of £36.1 million for the six months to 30 June 2016 (30 June 2015: £29.6 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 £32 million of net cash in the six months to 30 June 2016 (30 June 2015: £28 million) and see-through net debt increased to £827 million (31 December 2015: £731 million). The key components of the movement in net debt were the operational cash flow offset by development capital expenditure of £76 million and dividends paid of £21 million.

Dividend

We are declaring an interim dividend payment of 6.0 pence per share (30 June 2015: 5.5 pence), an increase of 9% over 2015. Our dividend policy remains to pay out 65% of recurring EPRA earnings each year.

The dividend will be paid on 4 November 2016 to shareholders on the register at close of business on 7 October 2016.

Tax

The current tax charge increased in the first half to £1.5 million (30 June 2015: £0.9 million) as more of the Group's historic tax losses have been utilised. The Group continues to meet the requirements for conversion to REIT status and planning for this to happen on 1 January 2017 is well underway. The forecast dividend requirement under the regime is in line with the Group's own forecasts and activities remaining subject to corporate tax are still expected to generate an annual tax charge of £3 – £4 million from 2017 onwards.

During the first half of the year, improved property values continued to increase the net deferred tax liability. Taken together with the utilisation of historic tax losses, this means that the Group is showing an overall increase in its deferred tax liability to £41.1 million (2015: £31.0 million) and a reduction of its deferred tax asset to £0.6 million (2015: £1.0 million). As a REIT, the Group will not be subject to tax on the sale of investment property and as such will not be required to provide deferred tax in relation to its properties.

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 2016	30 June 2015	31 Dec 2015
Net debt	£827m	£646m	£731m
LTV	35%*	35%	35%
Average debt maturity	5.5years	6.1 years	5.6 years
Average cost of debt	4.4%	4.7%	4.5%
Proportion of investment debt at fixed rate	84%	98%	90%

*LTV is prepared on a proforma basis, taking account of a disposal made between 30 June and 26 July

The Group's see-through LTV remained at 35% on a proforma basis (31 December 2015: 35%). The increase in net debt of £96 million has been driven primarily by the deployment of capital into development activity. We will continue to manage our gearing proactively and intend to maintain our LTV around the mid-30% level going forward, assuming current yields. With greater focus on the earnings profile of the business, we are also now monitoring our net debt to EBITDA ratio, which we expect to remain within our targeted range of 6 to 7 times.

Interest rate hedging arrangements and cost of debt

We have seen further improvements in our see-through cost of debt reducing to 4.4% (30 June 2014: 4.7%) and the Group has 84% of its see-through investment debt subject to a fixed interest rate (30 June 2015: 98%) for an average term of 5.5 years. In order to take advantage of current low interest rates for our development pipeline we have entered into £200 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.

Convertible bond

The Group's £90 million convertible bond is due to mature in October 2018. The initial conversion price of £5.10 has reduced to £4.96 following share placings and dividend payments and EPRA NAV has been prepared on the basis that the bond will convert in the future. This has resulted in NAV dilution of 12 pence per share as at 30 June 2016 (10 pence per share 31 December 2015). Under the terms of the bond, early conversion of the debt into equity can be triggered by us from October 2016 onwards if the share price trades over 1.3 times the conversion price for a period of time. Conversion in 2016 would result in a 4% point reduction in LTV.

Funds and joint ventures

The table below summarises the key financials for each vehicle:

	Property Assets £m	Net debt £m	Other assets £m	Net assets £m	Unite share of NAV £m	Maturity	Unite share
USAF	2,149	(615)	(30)	1,504	347	Infinite	23%
LSAV	970	(343)	(15)	612	306	2022	50%

USAF and LSAV have performed well in the six months to 30 June 2016 in line with the broader performance of the business. The secondary market for USAF units continues to operate effectively with £52 million of units trading so far this year at a small premium to NAV. There have been no redemption requests from investors during 2016.

USAF has approximately £90 million of acquisition capacity following the acquisition of two forward funded assets, comprising 400 beds in Edinburgh and Oxford that will be opened in 2017. USAF will potentially use the remaining capacity to acquire assets from Unite in the second half of 2016.

LSAV has deployed around two-thirds of its committed capital and has £125 million available for deployment into London development opportunities.

Fees

During the six months to June 2015 the Group recognised net fees of £8.2 million from its fund and asset management activities as follows:

	30 June 2016 £m	30 June 2015 £m	31 Dec 2015 £m
USAF			
Asset management fee	5.0	3.9	8.7
Acquisition fee	0.5	1.8	1.8
Net performance fee	-	1.6	20.2
LSAV			
Asset and property management fee	2.0	1.5	3.3
Development management fee	0.7	0.7	1.9
Total fees	**8.2**	**9.5**	**35.9**

The overall level of recurring asset management fees has increased from £5.4 million in the first half of 2015 to £7.0 million as a result of the growth in portfolio size and value. No USAF performance fee has been recognised in the first half of the year (30 June 2015: £1.6 million) and the full year performance remains contingent upon the yield at the end of the year.

Outlook

We believe that the fundamental factors supporting Unite Students, the wider student accommodation and the Higher Education sector remain robust. Our sector, UK Higher Education, is recognised globally for the quality of its Universities (16 of the world's top 100 and 7 of Europe's top 10 Universities are in the UK) and for its attractiveness as a place to study. The UK is consistently ranked the second most popular destination for international students after the USA. The UK will continue to build on the strength and reputation of the sector, and in a more open and competitive market this means that stronger Universities are likely to be best placed to benefit most.

Against this backdrop, the successful execution of our strategy to focus on the strongest University locations, our deep and valuable relationships with Universities and our market leading brand and operating platform leaves the business well placed. Our occupancy is underpinned by long standing and high quality university relationships with 82% of our customers studying at high or mid tariff Universities and we will continue to focus our business alongside these Universities.

The EU referendum has created some uncertainty in investment markets and the Higher Education sector. We therefore continue to take a disciplined approach to new opportunities to ensure that we retain financial and operational flexibility and remain committed to delivering our earnings growth potential over the next few years through the delivery of our development pipeline, rental growth and the benefits of the PRISM operating platform. We remain confident of delivering meaningful year on year earnings and dividend growth 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.

Richard Smith	Joe Lister
Chief Executive Officer	Chief Financial Officer

26 July 2016

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 2016

	Note	Unaudited 6 months to 30 June 2016 Total £m	Unaudited 6 months to 30 June 2015 Total £m	Year to 31 December 2015 Total £m
Rental income	2.4	54.5	51.6	93.0
Property sales and other income	2.4	8.8	90.2	115.8
Total revenue		**63.3**	**141.8**	**208.8**
Cost of sales		(22.6)	(92.2)	(114.9)
Operating expenses		(12.8)	(14.6)	(28.5)
Results from operating activities		27.9	35.0	65.4
Loss on disposal of property		(0.3)	(0.2)	(0.6)
Net valuation gains on property	3.1a	48.7	82.9	164.8
Profit before net financing costs		**76.3**	**117.7**	**229.6**
Loan interest and similar charges		(9.9)	(12.0)	(22.6)
Mark to market changes in interest rate swaps		–	(0.3)	(0.6)
Finance costs		(9.9)	(12.3)	(23.2)
Finance income		–	0.1	0.2
Net financing costs		**(9.9)**	**(12.2)**	**(23.0)**
Share of joint venture profit	3.3a	56.4	121.8	181.8
Profit before tax		**122.8**	**227.3**	**388.4**
Current tax		(1.5)	(0.9)	(1.6)
Deferred tax		(13.0)	(15.7)	(31.1)
Profit for the period		**108.3**	**210.7**	**355.7**
Profit for the period attributable to				
Owners of the parent company	2.2c	106.7	208.3	351.9
Minority interest		1.6	2.4	3.8
		108.3	**210.7**	**355.7**
Earnings per share				
Basic	2.2c	48.3p	100.1p	164.2p
Diluted	2.2c	45.2p	91.7p	150.3p

Consolidated statement of comprehensive income

For the 6 months to 30 June 2016

	Unaudited 6 months to 30 June 2016 £m	Unaudited 6 months to 30 June 2015 £m	Year to 31 December 2015 £m
Profit for the period	**108.3**	**210.7**	**355.7**
Movements in effective hedges	(11.9)	1.0	(1.0)
Gains on hedging instruments transferred to income statement	–	0.2	0.2
Share of joint venture movements in effective hedges	(2.4)	0.6	0.5
Other comprehensive income for the period	(14.3)	1.8	(0.3)
Total comprehensive income for the period	**94.0**	**212.5**	**355.4**
Attributable to			
Owners of the parent company	92.4	210.1	351.6
Minority interest	1.6	2.4	3.9
	94.0	**212.5**	**355.5**

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 2016

	Note	Unaudited 30 June 2016 £m	Unaudited 30 June 2015 £m	31 December 2015 £m
Assets				
Investment property	3.1a	1,062.3	926.9	1,024.4
Investment property under development	3.1a	221.6	83.9	149.8
Investment in joint ventures	3.3a	672.2	562.8	610.6
Other non-current assets		28.8	19.5	24.5
Deferred tax asset		0.6	–	1.0
Total non-current assets		**1,985.5**	**1,593.1**	**1,810.3**
Inventories	3.2	6.6	5.4	3.6
Trade and other receivables		47.4	43.9	83.0
Cash and cash equivalents		31.0	105.6	27.0
Total current assets		**85.0**	**154.9**	**113.6**
Total assets		**2,070.5**	**1,748.0**	**1,923.9**
Liabilities				
Borrowings	4.1	(1.4)	(9.2)	(31.3)
Interest rate swaps	4.2	–	(0.1)	–
Trade and other payables		(97.3)	(85.2)	(115.5)
Current tax creditor		(2.2)	(1.9)	(2.3)
Total current liabilities		**(100.9)**	**(96.4)**	**(149.1)**
Borrowings	4.1	(543.9)	(469.1)	(443.8)
Interest rate swaps	4.2	(16.8)	–	(2.3)
Deferred tax liability		(41.1)	(17.2)	(31.0)
Total non-current liabilities		**(601.8)**	**(486.3)**	**(477.1)**
Total liabilities		**(702.7)**	**(582.7)**	**(626.2)**
Net assets		**1,367.8**	**1,165.3**	**1,297.7**
Equity				
Issued share capital		55.5	55.5	55.5
Share premium		493.5	493.3	493.3
Merger reserve		40.2	40.2	40.2
Retained earnings		762.7	546.0	679.5
Hedging reserve		(17.1)	(0.7)	(2.8)
Equity portion of convertible instrument		9.4	9.4	9.4
Equity attributable to the owners of the parent company		**1,344.2**	**1,143.7**	**1,275.1**
Minority interest		23.6	21.6	22.6
Total equity		**1,367.8**	**1,165.3**	**1,297.7**

Consolidated statement of changes in shareholders' equity

For the 6 months to 30 June 2016

	Issued share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Hedging reserve £m	Equity portion of convertible instrument £m	Attributable to owners of the parent £m	Minority interest £m	Total £m
At 1 January 2016	**55.5**	**493.3**	**40.2**	**679.5**	**(2.8)**	**9.4**	**1,275.1**	**22.6**	**1,297.7**
(Unaudited)									
Profit for the period	–	–	–	106.7	–	–	106.7	1.6	108.3
Other comprehensive income for the period	–	–	–	–	(14.3)	–	(14.3)	–	(14.3)
Total comprehensive income for the period	–	–	–	106.7	(14.3)	–	92.4	1.6	94.0
Shares issued	–	0.2	–	–	–	–	0.2	–	0.2
Fair value of share based payments	–	–	–	(0.3)	–	–	(0.3)	–	(0.3)
Own shares acquired	–	–	–	(2.2)	–	–	(2.2)	–	(2.2)
Dividends paid to owners of the parent company	–	–	–	(21.0)	–	–	(21.0)	–	(21.0)
Dividends to minority interest	–	–	–	–	–	–	–	(0.6)	(0.6)
At 30 June 2016	**55.5**	**493.5**	**40.2**	**762.7**	**(17.1)**	**9.4**	**1,344.2**	**23.6**	**1,367.8**

	Issued share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Hedging reserve £m	Equity portion of convertible instrument £m	Attributable to owners of the parent £m	Minority interest £m	Total £m
At 1 January 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 2015	**50.4**	**385.8**	**40.2**	**359.2**	**(2.5)**	**9.4**	**842.5**	**19.8**	**862.3**
Profit for the period	–	–	–	351.9	–	–	351.9	3.8	355.7
Other comprehensive income for the period	–	–	–	–	(0.3)	–	(0.3)	0.1	(0.2)
Total comprehensive income for the period	–	–	–	351.9	(0.3)	–	351.6	3.9	355.5
Shares issued	5.1	107.5	–	–	–	–	112.6	–	112.6
Fair value of share based payments	–	–	–	3.7	–	–	3.7	–	3.7
Own shares acquired	–	–	–	(3.4)	–	–	(3.4)	–	(3.4)
Dividends paid to owners of the parent company	–	–	–	(31.9)	–	–	(31.9)	–	(31.9)
Dividends to minority interest	–	–	–	–	–	–	–	(1.1)	(1.1)
At 31 December 2015	**55.5**	**493.3**	**40.2**	**679.5**	**(2.8)**	**9.4**	**1,275.1**	**22.6**	**1,297.7**

Consolidated statement of cash flows

For the 6 months to 30 June 2016

	Unaudited 6 months to 30 June 2016 £m	Unaudited 6 months to 30 June 2015 £m	Year to 31 December 2015 £m
Cash flows from operating activities	**26.8**	**100.9**	**120.8**
Cash flows from taxation	**(1.6)**	**–**	**(0.3)**
Investing activities			
Proceeds from sale of investment property	(0.3)	(0.2)	(0.6)
Loans to joint ventures	–	(30.5)	(30.5)
Dividends received	15.1	11.0	22.9
Interest received	–	0.1	0.2
Investment in joint ventures	–	(48.2)	(52.4)
Acquisition of intangible assets	(4.5)	(4.3)	(7.7)
Acquisition of property	(63.5)	(26.8)	(96.3)
Acquisition of plant and equipment	(1.4)	(1.1)	(4.1)
Cash flows from investing activities	**(54.6)**	**(100.0)**	**(168.5)**
Financing activities			
Interest paid in respect of financing activities	(11.3)	(11.4)	(21.8)
Ineffective swap payments	–	(1.0)	(2.3)
Proceeds from the issue of share capital	0.2	112.6	112.6
Payments to acquire own shares	(2.2)	(2.9)	(3.4)
Proceeds from non-current borrowings	99.0	37.9	17.6
Repayment of borrowings	(30.7)	(51.5)	(36.1)
Dividends paid to the owners of the parent company	(21.0)	(19.8)	(31.9)
Dividends paid to minority interest	(0.6)	(0.6)	(1.1)
Cash flows from financing activities	**33.4**	**63.3**	**33.6**
Net increase/(decrease) in cash and cash equivalents	**4.0**	**64.2**	**(14.4)**
Cash and cash equivalents at start of period	27.0	41.4	41.4
Cash and cash equivalents at end of period	**31.0**	**105.6**	**27.0**

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 2015.

The comparative figures for the financial year ended 31 December 2015 are not the company's statutory financial statements for that financial year. Those financial statements have been reported on by the company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matter to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The board have continued to consider the principal risks and the appropriateness of risk management systems and consider that the principal risks remain largely consistent with those noted in the Annual Report for the year ended 31 December 2015 (pages 31 to 34) with additional consideration given to the EU Referendum result at 30 June 2016. These are summarised as follows:

i. Reduction in demand as a result of a change in government policy, the EU Referendum or changes in behaviour of students
ii. Increased competition leading to higher levels of new supply
iii. Reputational damage
iv. Property cycle risk
v. Development risks
vi. Availability of finance, change in interest rate and risks associated with fund management.

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

The Group has prepared cash flow forecasts to the end of 2018. Following the recent financing activity the Group has sufficient levels of cash headroom to meet all of its commitments. The Group has agreed heads of terms on an extension to an existing revolving facility to support the development pipeline capital expenditure; the extension is with two existing relationship banks. The Group continues to maintain positive relationships with its lending banks and has historically been able to secure facilities before maturity dates. The Group is in full compliance with its borrowing covenants and is forecast to continue to do so.

The Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group financial statements have therefore been prepared on a going concern basis.

Seasonality of operations
The results of the Group's operation segment, a separate business segment (see Section 2), are closely linked to the level of occupancy achieved in its portfolio of property. Occupancy typically falls over the summer months (particularly July and August) as students leave for the summer holidays. The Group 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 2016 £	Unaudited 30 June 2015 £	31 December 2015 £
EPRA earnings	2.2a	36.1m	29.6m	61.3m
EPRA earnings per share (pence)	2.2c	16.3p	14.2p	28.6p
Adjusted EPRA earnings	2.2a	36.1m	29.6m	49.5m
Adjusted EPRA earnings per share (pence)	2.2c	16.3p	14.2p	23.1p
EPRA NAV	2.3a	1,491.5m	1,164.2m	1,394.4m
EPRA NAV per share (pence)	2.3d	620p	521p	579p
EPRA NNNAV	2.3c	1,418.7m	1,114.8m	1,330.2m
EPRA NNNAV per share (pence)	2.3d	589p	499p	552p

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 2016 and 30 June 2015 and for the year ended 31 December 2015 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 35 – 37 of the 2015 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 2016

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

Included in the above is rental income of £12.2 million and property operating expenses of £3.3 million relating to sale and leaseback properties. The unallocated to segments balance includes the fair value of share based payments of (£0.2 million), UNITE Foundation of (£0.7 million), USAF acquisition fee of £0.5 million and current tax charges of (£1.8 million).

* Operating lease rentals arise from properties which the Group has sold and is now leasing back. These properties were sold to generate financing and they now contribute to the Group's rental income and incur property operating expenses. Therefore the Group consider these lease costs to be a form of financing.

Unaudited 30 June 2015

	UNITE	Share of joint ventures			Group on see through basis
	Total £m	USAF £m	LSAV £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 (£0.3 million), USAF acquisition fee of £1.8 million, net USAF performance fee of £1.6 million and current tax charges of (£0.9 million).

Unaudited 31 December 2015

	UNITE	Share of joint ventures			Group on see through basis
	Total £m	USAF £m	LSAV £m	Total £m	Total £m
Rental income	93.0	31.6	19.7	51.3	144.3
Property operating expenses	(28.2)	(9.3)	(2.3)	(11.6)	(39.8)
Net operating income	**64.8**	**22.3**	**17.4**	**39.7**	**104.5**
Management fees	17.5	(2.2)	(3.3)	(5.5)	12.0
Operating expenses	(21.3)	(0.3)	(0.3)	(0.6)	(21.9)
	61.0	19.8	13.8	33.6	94.6
Operating lease rentals*	(14.5)	–	–	–	(14.5)
Net financing costs	(23.6)	(5.6)	(4.4)	(10.0)	(33.6)
Operations segment result	**22.9**	**14.2**	**9.4**	**23.6**	**46.5**
Property segment result	**(1.8)**	**–**	**–**	**–**	**(1.8)**
Unallocated to segments	**16.6**	**–**	**–**	**–**	**16.6**
EPRA earnings	**37.7**	**14.2**	**9.4**	**23.6**	**61.3**
Yield related USAF performance fees	(11.8)	–	–	–	(11.8)
Adjusted EPRA earnings	**25.9**	**14.2**	**9.4**	**23.6**	**49.5**

Included in the above is rental income of £20.3 million and property operating expenses of £6.6 million relating to sale and leaseback properties. The unallocated to segments includes the fair value of share based payments of (£2.9 million), UNITE Foundation of (£1.0 million), fees received from USAF relating to acquisitions of £1.8 million, net USAF performance fee of £20.2 million, deferred tax of (£0.1 million) and current tax charges of (£1.4 million).

* Operating lease rentals arise from properties which the Group has sold and is now leasing back. These properties were sold to generate financing and they now contribute to the Group's rental income and incur property operating expenses. Therefore the Group consider these lease costs to be a form of financing

b) 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 2016 £m	Unaudited 6 months to 30 June 2015 £m	Year to 31 December 2015 £m
EPRA earnings	2.2a	**36.1**	**29.6**	**61.3**
Net valuation gains on investment property		48.7	82.9	164.8
Property disposals and write downs		(0.3)	6.8	6.8
Share of joint venture gains on investment property	3.3a	35.8	106.1	152.7
Share of joint venture property disposals and write downs		–	0.1	0.3
Mark to market changes in interest rate swaps*		–	(0.3)	(0.6)
Interest rate swap payments on ineffective hedges*		–	0.7	1.2
Share of joint venture swap cancellation costs		–	–	(0.3)
Deferred tax relating to interest rate swap movement		–	(0.5)	(0.2)
Deferred tax relating to properties		(12.6)	(15.1)	(30.9)
Minority interest share of reconciling items**		(1.0)	(2.0)	(3.2)
Profit attributable to owners of the parent company		**106.7**	**208.3**	**351.9**

* Within IFRS reported profit, there is a £nil million loss (30 June 2015: £0.3 million loss) relating to movements in the mark to market of ineffective interest rate swaps. Part of this movement, £nil million (30 June 2015: £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 2016 is as follows:

	Note	Unaudited 6 months to 30 June 2016 £m	Unaudited 6 months to 30 June 2015 £m	Year to 31 December 2015 £m
Earnings				
Basic		106.7	208.3	351.9
Diluted		108.3	208.3	351.9
EPRA	2.2a	36.1	29.6	61.3
EPRA pre yield related USAF performance fee	2.2a	36.1	29.6	49.5
Weighted average number of shares (thousands)				
Basic		220,941	208,070	214,304
Dilutive potential ordinary shares (share options and convertible bond)		18,849	19,126	19,877
Diluted		239,790	227,196	234,181
Earnings per share (pence)				
Basic		48.3p	100.1p	164.2p
Diluted		45.2p	91.7p	150.3p
EPRA EPS		**16.3p**	**14.2p**	**28.6p**
EPRA EPS pre yield related USAF performance fee		**16.3p**	**14.2p**	**23.1p**

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 38 - 41 of the 2015 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 2016		
	Wholly owned £m	Share of JV's £m	Total £m
Investment properties	1,062.3	869.1	1,931.4
Investment properties under development	221.6	109.6	331.2
Total property portfolio	**1,283.9**	**978.7**	**2,262.6**
Debt on properties	(545.3)	(341.2)	(886.5)
Cash	31.0	28.6	59.6
Net debt	**(514.3)**	**(312.6)**	**(826.9)**
Other liabilities	(15.7)	(12.7)	(28.4)
EPRA net assets (pre convertible)	**753.9**	**653.4**	**1,407.3**
Convertible bond *	**84.2**	**–**	**84.2**
EPRA net assets	**838.1**	**653.4**	**1,491.5**
Loan to value	**40%**	**32%**	**37%**

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

	Unaudited 30 June 2015		
	Wholly owned £m	Share of JV's £m	Total £m
Investment properties	926.9	728.7	1,655.6
Investment properties under development	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%**

	31 December 2015		
	Wholly owned £m	Share of JV's £m	Total £m
Investment properties	1,024.4	810.8	1,835.2
Investment properties under development	149.8	80.2	230.0
Total property portfolio	**1,174.2**	**891.0**	**2,065.2**
Debt on properties	(475.1)	(304.6)	(779.7)
Cash	27.0	22.0	49.0
Net debt	**(448.1)**	**(282.6)**	**(730.7)**
Other liabilities	(4.9)	(18.3)	(23.2)
EPRA net assets (pre convertible)	**721.2**	**590.1**	**1,311.3**
Convertible bond	**83.1**	**–**	**83.1**
EPRA net assets	**804.3**	**590.1**	**1,394.4**
Loan to value	**38%**	**32%**	**35%**

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

Unaudited 30 June 2016

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

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

Unaudited 30 June 2015

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

31 December 2015

	UNITE	Share of joint ventures			Group on see through basis
	Total £m	USAF £m	LSAV £m	Total £m	Total £m
Operations					
Operations segment result	**22.9**	**14.2**	**9.4**	**23.6**	**46.5**
Property					
Rental growth	21.6	5.8	22.2	28.0	49.6
Yield movement	97.6	37.0	41.1	78.1	175.7
Disposals and acquisition costs	(17.3)	0.1	0.2	0.3	(17.0)
Investment property gains	101.9	42.9	63.5	106.4	208.3
Development property gains	45.7	–	36.1	36.1	81.8
Pre-contract and other development costs	(1.8)	–	–	–	(1.8)
Total property	**145.8**	**42.9**	**99.6**	**142.5**	**288.3**
Unallocated					
Shares issued	112.6	–	–	–	112.6
Investment in joint ventures	(57.8)	41.6	16.2	57.8	–
Convertible bond	83.1	–	–	–	83.1
Dividends paid	(31.9)	–	–	–	(31.9)
USAF performance fee	19.8	–	–	–	19.8
USAF property acquisition fee	1.7	–	–	–	1.7
Swap losses and debt exit costs	(1.1)	(0.3)	–	(0.3)	(1.4)
Other	(5.4)	–	–	–	(5.4)
Total unallocated	**121.0**	**41.3**	**16.2**	**57.5**	**178.5**
Total EPRA NAV movement in the period	**289.7**	**98.4**	**125.2**	**223.6**	**513.3**
Total EPRA NAV brought forward	514.6	206.9	159.6	366.5	881.1
Total EPRA NAV carried forward	**804.3**	**305.3**	**284.8**	**590.1**	**1,394.4**

The £5.4 million charge that comprises the other balance within the unallocated segment includes a tax charge of £1.5 million, a contribution of £1.0 million to the UNITE Foundation and a fair value of share options charge of £2.9 million.

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 2016 £m	Unaudited 6 months to 30 June 2015 £m	Year to 31 December 2015 £m
Net asset value reported under IFRS		**1,344.2**	**1,143.7**	**1,275.1**
Mark to market interest rate swaps		21.7	1.9	4.3
Deferred tax *		41.4	18.6	31.9
EPRA NAV (pre convertible)		**1,407.3**	**1,164.2**	**1,311.3**
Convertible bond		84.2	–	83.1
EPRA NAV	2.3a	**1,491.5**	**1,164.2**	**1,394.4**
Mark to market of fixed rate debt		(9.7)	(28.9)	(28.0)
Mark to market interest rate swaps		(21.7)	(1.9)	(4.3)
Deferred tax		(41.4)	(18.6)	(31.9)
EPRA NNNAV		**1,418.7**	**1,114.8**	**1,330.2**

* As a REIT, the Group will not be subject to tax on the sale of investment property and as such will not be required to provide deferred tax in relation to its properties. Had the Group been a REIT on 30 June 2016, both the net deferred tax liability and deferred tax asset on the balance sheet would have been reduced to nil, generating a credit to the income statement of £45.2 million and a charge of £4.7 million taken directly to equity. There would have been no effect to the EPRA NAV or EPRA NNNAV position.

The Group has incurred a current tax charge of £1.5 million in the 6 months to 30 June 2016 (2015: £0.9 million). Following conversion to REIT status the Group's income from its property business will not be subject to income or corporation tax. However, the non-property business of the Group will remain subject to corporation tax. The Group's remaining non-property activities are expected to generate an annual corporation tax charge of £3 – £4 million from 2017 onwards.

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 2016 £m	Unaudited 30 June 2015 £m	31 December 2015 £m
Net assets				
Basic	2.3c	1,344.2	1,143.7	1,275.1
EPRA	2.3a	1,491.5	1,164.2	1,394.4
EPRA diluted		1,493.7	1,165.5	1,396.7
EPRA NNNAV (diluted)		1,420.9	1,116.1	1,332.5
Number of shares (thousands)				
Basic		222,327	223,247	222,051
Convertible bond		18,124	–	18,124
Outstanding share options		654	313	1,027
Diluted		241,105	223,560	241,202
Net asset value per share (pence)				
Basic		605p	512p	574p
EPRA		620p	522p	581p
EPRA (fully diluted)		**620p**	**521p**	**579p**
EPRA NNNAV (fully diluted)		**589p**	**499p**	**552p**

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 2016 £m	Unaudited 6 months to 30 June 2015 £m	Year to 31 December 2015 £m
Rental income	Operations segment	2.2a	54.5	51.6	93.0
Management fees	Operations segment		8.2	7.9	15.2
Development fees	Property segment		0.7	0.7	1.9
Property sales	Unallocated		–	77.1	77.0
USAF performance fee	Unallocated		–	4.9	22.4
			63.4	142.2	209.5
Impact of minority interest on management fees			(0.1)	(0.4)	(0.7)
Total revenue			**63.3**	**141.8**	**208.8**

The cost of sales included in the consolidated income statement includes property operating expenses of £14.8 million (30 June 2015: £13.7 million), operating lease rentals of £7.0 million (30 June 2015: £7.6 million), costs associated with development fees of £0.8 million (30 June 2015: £0.8 million) and the carrying value of property sales of £nil million (30 June 2015: £70.1 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 two groups on the balance sheet at the carrying values detailed below. In the Group's EPRA NAV, all these groups are shown at market value.

i) Investment property (fixed assets)

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

ii) Investment property under development (fixed assets)

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

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.

a) Valuation process

The valuation of the properties are performed twice a year on the basis of valuation reports prepared by external, independent valuers, having an appropriate recognised professional qualification. The fair values are based on market values as defined in the RICS Appraisal and Valuation Manual, issued by the Royal Institution of Chartered Surveyors. CB Richard Ellis Ltd, Jones Lang LaSalle Ltd and Messrs Knight Frank, Chartered Surveyors were the valuers in the 6 months ending 30 June 2016 and 2015.

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.

Following the Referendum decision for the UK to exit its membership of the European Union, we are now in a period of uncertainty in relation to many factors that impact the property investment and letting markets.

Since the Referendum date it has not been possible to gauge the effect of this decision by reference to transactions in the market place.

The movements in the carrying value of the Group's wholly owned property portfolio during the period ended 30 June 2016 are shown in the table below. Whilst completed property is held at cost on the balance sheet, the Group manages all properties 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 2016 are also shown below.

Unaudited 30 June 2016

	Investment property £m	Investment property under development £m	Completed property £m	Total £m
At 1 January 2016	1,024.4	149.8	–	1,174.2
Cost capitalised	0.4	57.4	–	57.8
Interest capitalised	–	3.2	–	3.2
Valuation gains	41.9	17.1	–	59.0
Valuation losses	(4.4)	(5.9)	–	(10.3)
Net valuation gains	37.5	11.2	–	48.7
Carrying value at 30 June 2016	**1,062.3**	**221.6**	**–**	**1,283.9**
Valuation gains not recognised under IFRS but included in EPRA NAV				
Brought forward	–	–	–	–
	–	–	–	–
Market value at 30 June 2016	**1,062.3**	**221.6**	**–**	**1,283.9**

The movements in the carrying value of the Group's wholly owned property portfolio during the period ended 30 June 2015 and the fair value of the Group's wholly owned property portfolio at the year ended 30 June 2015 is as follows:

Unaudited 30 June 2015

	Investment property £m	Investment property under development £m	Completed property £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 31 December 2015 and the fair value of the Group's wholly owned property portfolio at the year ended 31 December 2015 is as follows:

31 December 2015

	Investment property £m	Investment property under development £m	Completed property £m	Total £m
At 1 January 2015	850.5	49.2	70.1	969.8
Cost capitalised	8.6	97.4	–	106.0
Interest capitalised	–	2.7	–	2.7
Transfer from investment property under development	41.2	(41.2)	–	–
Transfer from work in progress	–	1.0	–	1.0
Disposals	–	–	(70.1)	(70.1)
Valuation gains	126.4	41.0	–	167.4
Valuation losses	(2.3)	(0.3)	–	(2.6)
Net valuation gains	124.1	40.7	–	164.8
Carrying value at 31 December 2015	**1,024.4**	**149.8**	**–**	**1,174.2**
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 31 December 2015	**1,024.4**	**149.8**	**–**	**1,174.2**

b) Fair value measurement

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

Class of asset	6 months to 30 June 2016 £m	6 months to 30 June 2015 £m	31 December 2015 £m
London – rental properties	420.0	379.7	409.4
Major provincial – rental properties	450.1	370.6	431.1
Other provincial – rental properties	192.2	176.6	183.9
Major provincial – development properties	132.7	61.6	94.2
Other provincial – development properties	88.9	22.3	55.6
Market value	**1,283.9**	**1,010.8**	**1,174.2**

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

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

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

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

c) Fair value using unobservable inputs (Level 3)

	6 months to 30 June 2016 £m	6 months to 30 June 2015 £m	31 December 2015 £m
Opening fair value	1,174.2	1,001.0	1,001.0
Gains and losses recognised in income statement	48.7	82.9	164.8
Acquisitions	–	–	–
Capital expenditure	61.0	28.2	109.7
Disposals	–	(101.3)	(101.3)
Closing fair value	**1,283.9**	**1,010.8**	**1,174.2**

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

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

	Fair value £m	Valuation technique	Unobservable inputs	Range	Weighted average
London		Discounted	Net rental income (£ per week)	£199 - £311	£231
- rental properties	379.7	cash flows	Estimated future rent (%)	2% - 3%	3%
			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% - 4%	4%
			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% - 3%	3%
			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%	3%
			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%	3%
			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)	£190 - £326	£244
- rental properties	409.4	cash flows	Estimated future rent (%)	2% - 4%	3%
			Discount rate (yield) (%)	4.6% - 5.2%	4.8%
Major provincial		Discounted	Net rental income (£ per week)	£95 - £146	£120
- rental properties	431.1	cash flows	Estimated future rent (%)	1% - 6%	4%
			Discount rate (yield) (%)	5.2% - 7.0%	5.8%
Other provincial		Discounted	Net rental income (£ per week)	£77 - £135	£117
- rental properties	183.9	cash flows	Estimated future rent (%)	2% - 6%	4%
			Discount rate (yield) (%)	5.8% - 9.4%	6.3%
Major provincial		Discounted	Estimated cost to complete (£m)	£9.4m - £47.6m	£31.6m
- development properties	94.2	cash flows	Estimated future rent (%)	3%	3%
			Discount rate (yield) (%)	5.2% - 5.8%	5.6%
Other provincial		Discounted	Estimated cost to complete (£m)	£8.9m - £10.5m	£10.1m
- development properties	55.6	cash flows	Estimated future rent (%)	3%	3%
			Discount rate (yield) (%)	5.8% - 5.9%	5.9%
Fair value at 31 December 2015	**1,174.2**				

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

3.2 Inventories

	Unaudited 6 months to 30 June 2016 £m	Unaudited 6 months to 30 June 2015 £m	Year to 31 December 2015 £m
Interests in land	2.7	1.8	0.9
Other stocks	3.9	3.6	2.7
Inventories	**6.6**	**5.4**	**3.6**

3.3 Investments in joint ventures

The Group has two joint ventures:

Joint venture	Group's share of assets/results 2016 (2015)	Objective	Partner	Legal entity in which Group has interest
The UNITE UK Student Accommodation Fund (USAF)	24.6%* (23.0%)	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 23.0% (30 June 2015: 21.4%) 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 £61.6 million during the 6 months ended 30 June 2016 (30 June 2015: £179.0 million), resulting in an overall carrying value of £672.2 million (30 June 2015: £562.8 million). The following table shows how the increase has been achieved.

	Unaudited 6 months to 30 June 2016 £m	Unaudited 6 months to 30 June 2015 £m	Year to 31 December 2015 £m
Recognised in the income statement:			
Operations segment result	17.2	12.9	23.6
Minority interest share of Operations segment result	0.7	0.8	1.2
Management fee adjustment relating to trading with joint venture	2.5	1.8	4.1
Net revaluation gains	35.8	106.1	152.7
Loss on cancellation of interest rate swaps	–	–	(0.3)
Profit on disposal of investment property	–	–	0.3
Other	0.2	0.2	0.2
	56.4	121.8	181.8
Recognised in equity:			
Movement in effective hedges	(2.9)	0.7	0.6
Other adjustments to the carrying value:			
Profit adjustment related to trading with joint venture	(2.4)	(11.2)	(11.9)
Increase in loan to USAF	–	30.5	30.5
Additional capital invested in USAF	25.6	29.1	29.1
USAF performance fee	–	–	(3.7)
Additional capital invested in LSAV	–	19.1	23.3
Distributions received	(15.1)	(11.0)	(22.9)
Increase in carrying value	**61.6**	**179.0**	**226.8**
Carrying value brought forward	610.6	383.8	383.8
Carrying value carried forward	**672.2**	**562.8**	**610.6**

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 2016 £m	Unaudited 6 months to 30 June 2015 £m	Year to 31 December 2015 £m
USAF	4.9	3.8	8.5
LSAV	2.7	2.3	4.7
Property management fees	**7.6**	**6.1**	**13.2**
LSAV	0.7	0.7	1.4
Development management fees	**0.7**	**0.7**	**1.4**
USAF performance fee	–	4.2	25.6
USAF acquisition fee	0.5	2.1	2.1
Investment management fees	**0.5**	**6.3**	**27.7**
Total fees	**8.8**	**13.1**	**42.3**

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 2016		Unaudited 6 months to 30 June 2015		Year to 31 December 2015	
	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m
Current						
In one year or less, or on demand	1.4	1.3	9.2	9.2	31.3	31.2
Non-current						
In more than one year but not more than two years	1.5	1.4	31.4	31.4	1.5	1.4
In more than two years but not more than five years	302.6	334.5	196.9	231.7	202.2	240.4
In more than five years	239.8	208.6	240.8	228.1	240.1	225.5
	543.9	544.5	469.1	491.2	443.8	467.3
Total borrowings	**545.3**	**545.8**	**478.3**	**500.4**	**475.1**	**498.5**

The carrying value of borrowings is considered to be approximate to fair value, except for the Group's fixed rate loans carried at £330.9 million (30 June 2015: £332.5 million) and the convertible bond carried at £84.3 million (30 June 2015: £82.5 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 £212.2 million (30 June 2015: £214.8 million).

The remaining £240.9 million (30 June 2015: £242.5 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 £209.1 million (30 June 2015: £229.7 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 2016 £m	Unaudited 6 months to 30 June 2015 £m	Year to 31 December 2015 £m
Current	–	0.1	–
Non-current	16.8	–	2.3
Fair value of interest rate swaps	**16.8**	**0.1**	**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 2016, the Company declared and paid a final dividend of £21.0 million (30 June 2015: £19.8 million). After the period end, the Directors proposed an interim dividend of 6.0p per share (30 June 2015: 5.5p per share). No provision has been made in relation to this dividend.

Independent review report to The UNITE Group plc

Introduction
We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2016 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 2016 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

26 July 2016

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