PRESS RELEASE

23 July 2019

THE UNITE GROUP PLC

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

HALF YEAR RESULTS FOR SIX MONTHS TO 30 JUNE 2019

Richard Smith, Chief Executive of Unite Students, commented:

"The first half of 2019 has been a transformative period for Unite. Our proposed £1.4 billion acquisition of Liberty Living will create a portfolio with a gross asset value of £7 billion, comprising approximately 75,000 beds across the UK, with some 1.5 million students requiring accommodation each year.

"The Liberty Living business is complementary to our own, with a shared commitment to providing high-quality, affordable student accommodation and a portfolio strategically aligned with many high and mid-ranked Universities where student demand is strongest. The acquisition will utilise our best-in-class operating platform to accelerate and extend earnings and dividends growth.

"We have delivered further growth in our sustainable earnings during the first half, supporting an 8% increase in our interim dividend. Our growth remains underpinned by our high-quality portfolio in the best locations, deep and long-standing relationships with Universities, our operating platform and positive market dynamics.

"We maintain our positive outlook for the business with a record 92% of beds already reserved for the 2019/20 academic year. As such, we remain confident in a rental growth outlook of 3.0-3.5% for 2019/20 and 2020/21. Our development and University partnerships pipeline of 6,600 beds to be delivered over the next four years will further improve operating efficiency and generate significant earnings growth."

	H1 2019	**H1 2018**	**FY2018**	**Change**
EPRA earnings*	£61.2m	£52.9m	£88.4m	16%
EPRA earnings per share*	23.2p	20.7p	34.1p	12%
Profit before tax	£125.5m	£142.5m	£245.8m	(12)%
Dividend per share	10.25p	9.5p	29.0p	8%
Total accounting return*	6.3%	7.8%	13.2%	
EBIT margin	76.0%	73.7%	71.3%	
As at	**30 June 2019**	**30 June 2018**	**31 December 2018**	**Change from 31 December 2018**
EPRA NAV per share*	820p	761p	790p	4%
Net debt**	£897m	£770m	£856m	5%
Loan to value**	29%	27%	29%	

HIGHLIGHTS

EPRA Earnings up 16% to £61.2m (H1 2018: £52.9 million)

- Increased dividend, up 8% to 10.25p, driven by growing earnings (H1 2018: 9.5p)
- Profit before tax down 12% to £125.5 million (H1 2018: £142.5 million)
- 6.3% total accounting return (H1 2018: 7.8%)

Transformative acquisition of Liberty Living for £1.4 billion, utilising Unite's best-in-class operating platform

- Two highly-complementary portfolios, comprising a combined c.75,000 beds
- Liberty Living to be integrated onto PRISM platform, delivering £15 million p.a. of synergies from 2021
- Materially earnings enhancing from 2020, supporting an EPS yield of approximately 6% by 2021
- Maintaining 35% LTV target, reflecting disposal plan for £150-200 million p.a. over the next three years
- Completion expected in early Q4 2019, subject to shareholder and CMA approval – continue to progress pre-notification

High-quality income, portfolio and University relationships support rental growth

- Reservations for 2019/20 academic year at record levels of 92% (2018: 91%)
- Supports rental growth outlook for 2019/20 of 3.0-3.5%
- Nomination agreements with Universities represent 60% of Unite's beds (2018: 60%), with a WAULT of six years (2018: six years) providing visibility over income and rental growth
- New long-term nominations agreements with the University of Birmingham and Oxford Brookes University commencing from the 2019/20 academic year
- Further progress with University partnerships – one deal secured so far in 2019 and a pipeline of 10 active discussions across a range of different models

Over 6,500 beds in secured pipeline, driving future earnings growth

- Secured pipeline of 6,580 beds (2018: 6,500 beds), generating a 7.0% yield on cost
- 2,390 beds opening for the 2019/20 academic year with c.70% secured by nomination agreements
- Resolution to grant planning permission for 913 bed Middlesex Street development in London
- One London and three regional development sites currently under offer

High-quality portfolio aligned to high-ranked Universities where intake continues to grow

- 51,200 operational beds for 2019/20 academic year, with a value of £5.5 billion; Unite share £3.0 billion (30 June 2018: 49,900 beds, valued at £5.1 billion; Unite share £2.8 billion)
- 90% of Unite's portfolio now located at high and mid-ranked Universities (30 June 2018: 88%)

Strong financial position

- £105 million of disposals to USAF agreed in H1 (Unite share: £79m)
- LTV of 29% at 30 June** (31 December 2018: 29%), cost of debt at 3.8% (31 December 2018: 3.8%)
- USAF raised £250 million in new equity in May 2019

* The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). These financial highlights are based on the European Public Real Estate Association (EPRA) best practice recommendations and these performance measures are published as they are intended to help users in the comparability of these results across other listed real estate companies in Europe. The metrics are also used internally to measure and manage the business and to align to the performance related conditions for Directors' remuneration. See glossary for definitions.
** Excludes IFRS 16 related balances recognised in respect of leased properties, following the adoption of IFRS 16. See glossary for definitions.

PRESENTATION

There will be a presentation for analysts this morning at 08:30 at Numis Securities Limited, The London Stock Exchange Building, 10 Paternoster Square, London EC4M 7LT. A live webcast will be available at: www.unite-group.co.uk. To register for the event or to receive dial-in details, please contact unite@powerscourt-group.com.

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OVERVIEW

During the first half of the year, we have continued to make excellent progress by maintaining our focus on quality and visibility of income. We are a leading brand in the sector and have an excellent reputation with customers and Universities alike, based around a superior student experience. We have deep University relationships and a high-quality property portfolio. Collectively, this focus is delivering sustainable and growing earnings.

With 51,000 operational beds across 22 cities, we have a best-in-class platform that is driving meaningful efficiencies and enhanced levels of service. This is demonstrated in our financial results: EPRA earnings for the six months were up 16% to £61.2 million (H1 2018: £52.9 million) driven by portfolio and rental growth and further efficiency improvements. This represents an increase of 12% on a per share basis to 23.2 pence (H1 2018: 20.7 pence). As a result of the ongoing growth in earnings and the sustainability of our business model, we are increasing our interim dividend by 8% to 10.25p (H1 2018: 9.5p).

EPRA NAV per share increased 4% to 820 pence (31 December 2018: 790 pence) which, together with dividends paid, delivers a total accounting return of 6.3% in the first six months of the year (H1 2018: 7.8%). IFRS profit before tax decreased to £125.5 million (H1 2018: £142.5 million).

Our key financial performance indicators are set out below:

Financial highlights	**H1 2019**	**H1 2018**	**FY2018**
EPRA earnings	£61.2m	£52.9m	£88.4m
EPRA EPS	23.2p	20.7p	34.1p
Dividend per share	10.25p	9.5p	29.0p
Total accounting return	6.3%	7.8%	13.2%
Profit before tax	£125.5m	£142.5m	£245.8m
Basic EPS	53.3p	53.9p	90.8p
EPRA NAV per share	820p	761p	790p
See-through LTV ratio	29%	27%	29%

The business continues to benefit from our focus of aligning our portfolio with the strongest University locations. Supported by our strong University relationships and continued investment in our operating platform, reservations for the 2019/20 academic year are currently 92% (2018: 91%), with growing numbers of returning students and strong growth from international bookings. 60% of income is highly visible and recurring, underpinned by University nominations agreements, which have a remaining average life of six years with in-built annual inflation-linked rental uplifts. Of the remaining income, we continue to attract more non-first year students, who now account for 66% of our direct-let income, demonstrating the value and broad appeal of our customer proposition.

We have maintained our focus on quality locations and, with the publication of the new TEF rankings, have seen our share of income from Gold and Silver-ranked institutions increase to 90% (2018: 85%). Our development pipeline and planned disposal activity means that we remain on track to increase our alignment to high and mid-ranked Universities to 91% on completion of the pipeline. The key measures demonstrating the high-quality of our income are outlined in the following table.

Proportion of income from high and mid-ranked Universities	90%
Proportion of beds under nominations agreements	60%
Average remaining life of nominations agreements	6 years
UK : International : EU customer analysis	63% : 28% : 9%

Student numbers remain robust, supported by the global standing of UK Universities. We expect student intake in the 2019/20 academic year to be around 530,000, in line with the levels last year, with Universities continuing to manage student recruitment proactively. Applications to UK Universities at 30 June for 2019/20 were 638,000, up 0.2% from the same point in 2018. This reflects the demographic decline among 18- to 20-year-olds in the UK, offset by record application rates for UK 18-year-olds and strong international demand. The desire to go to University has grown and application rates have increased steadily from 32% in 2012 to a record level of 40% in 2019. Demographic pressures are also forecast to reverse significantly from 2021, which could potentially result in 80,000 additional students by 2025 at current participation rates.

Demand from international students has been strong again for 2019/20, with non-EU student applications up 7.9% and EU students up 1.0%, showing the continuing global appeal of UK Universities. The Government's international education strategy is targeting a 30% increase in the number of international students to 600,000 by 2030. In the near term, the outlook for EU students has been boosted by the recent announcement that students from the EU starting their courses in 2020 will have current funding arrangements guaranteed for the duration of their degrees, meaning that the full impact of any new funding arrangement will not take effect until 2023/24.

We have continued to see strongest application growth at the High-Tariff Universities, which have risen by 3% versus last year, with declines at lower ranked institutions. The strength of the sector underpins a positive outlook for the student accommodation market over the next few years, with the strongest growth in student numbers expected in cities where we operate.

The Augar Review of Post-18 Education and Funding was published in May and contained recommendations including a reduction in tuition fees to £7,500 p.a. with lost fee income for Universities topped-up by the Government and the reintroduction of means-tested maintenance grants. We consider the package of proposed recommendations, which have an earliest potential implementation in the 2021/22 academic year, to be supportive of student demand. However, clarity is required from Government as to when and if these proposals are to be implemented. The report also underlines that Universities retain a responsibility for delivering value for money to students, which includes University accommodation, and recommends that the Office for Students should examine the cost of student accommodation more closely to improve the quality and consistency of data.

We will continue to demonstrate the value for money that living with Unite offers by delivering the services that students and our University partners value. These include all-inclusive bills and high-speed Wi-Fi, hassle-free administration, committed and highly-trained staff on hand when they're needed, a range of proprietary digital platforms, rapid response maintenance and 24/7 emergency support.

Amid growing awareness of student mental health, we also continue to invest in our market leading student welfare services. Across our properties, we now have 1,000 members of staff trained in mental health awareness and active listening. Dedicated welfare leads in all our cities and a central team of welfare specialists mean that we are able to work with our University partners to identify students who may be struggling and ensure they get the support they need as quickly as possible. All of our students are offered easy access to third-party wellbeing and specialist mental health services, including Nightline. Our network of paid student ambassadors, meanwhile, provide valuable peer-to-peer support for students as they navigate the early stages of the transition to University life.

In recognition of the positive impact good preparation can have on students' mental health and wellbeing, during the first half of the year we accelerated the national roll-out of our Leap Skills training module for sixth formers, which is designed to build resilience and help young people prepare for the challenges of living away from home. We have also collaborated with the British Property Federation and other PBSA providers on a student welfare good-practice guide for accommodation providers, which was published in July. Both Leap Skills and the BPF's good-practice guide have been endorsed by the Department for Education, and publicly recognised by the Secretary of State as part of the Government's focus on student mental health.

Placing and acquisition of Liberty Living

Early July saw the announcement of our transformative acquisition of Liberty Living's c.24,000 bed portfolio for c.£1.4 billion in a NAV-for-NAV deal from Canada Pension Plan Investment Board (CPPIB). The acquisition will be funded through a combination of cash and shares, including the £260 million of gross proceeds raised through our successful 9.99% placing in early July.

The acquisition utilises Unite's best-in-class operating platform, PRISM, to create a combined portfolio of 75,000 beds and is valued at c.£7 billion. Liberty Living beds will be fully integrated into PRISM, delivering £15 million of annual cost synergies from 2021. In addition, we see further opportunity for operational enhancements by combining the best of both businesses.

The acquisition is materially earnings accretive from 2020 onwards and is broadly NAV per share neutral. We are targeting to deliver an EPS yield of c.6% in 2021 for the combined group and continue to target low double-digit total returns with a higher component made up by income. The acquisition has been conservatively financed, resulting in an LTV of approximately 38% for the combined group on completion, which we intend to reduce to 35% through rental growth and planned disposals over the next three years.

Completion of the acquisition is conditional upon shareholder approval and CMA clearance. Completion of the acquisition is anticipated in early Q4 2019.

OUTLOOK

The outlook for the business remains positive. The fundamentals of the sector provide a supportive backdrop, as UK Universities build on their global reputation and demonstrate their ability to adapt to a changing landscape. The student intake in 2019/20 is expected to be in line with the record levels seen over the past few years and we expect to see growth in the University cities where we operate. As a result, we remain confident in delivering medium-term rental growth of 3.0-3.5% through a combination of value-driven price increases and improved utilisation.

Our acquisition of Liberty Living will bring together the best of two companies with a wealth of expertise and experience in delivering for students and University partners. By combining two highly-complementary portfolios, the combined group will be well positioned to meet the growing need for affordable, high-quality student accommodation in University towns and cities where demand is strong.

This, combined with our best-in-class operating platform, will mean more choice for Universities and an enhanced service and welfare offer for students. Backed by a conservative capital structure, the acquisition accelerates and extends our earnings growth and provides opportunities to further enhance total shareholder returns.

OPERATIONS REVIEW

The Group continues to report on an IFRS basis and presents its performance in line with best practices as recommended by EPRA. The Operations and Property reviews focus on EPRA measures as these are our key internal measures and aid comparability across the real estate sector.

Sales, rental growth and profitability

The key strengths of our operating business are our people, our PRISM operating platform, our brand and relationships with Universities. We have continued to build on this in the first half of 2019, resulting in a 16% increase in EPRA earnings to £61.2 million (H1 2018: £52.9 million). This growth has again been driven by high occupancy, rental growth and the impact of development completions, as well as further operational efficiencies and ongoing cost discipline.

Summary income statement	**H1 2019 £m**	**H1 2018 £m**	**2018 £m**
Rental income	108.3	101.9	188.3
Property operating expenses	(23.9)	(23.4)	(48.0)
Net operating income (NOI)	**84.4**	**78.5**	**140.3**
NOI margin	*78.0%*	*77.1%*	*74.5%*
Management fees	7.2	7.0	15.6
Operating expenses	(9.3)	(10.4)	(21.7)
Finance costs	(20.7)	(19.3)	(40.0)
Development and other costs	(0.4)	(2.9)	(5.8)
EPRA earnings	**61.2**	**52.9**	**88.4**
EPRA EPS	**23.2**	**20.7p**	**34.1p**
EBIT margin	*76.0%*	*73.7%*	*71.3%*

A full reconciliation of profit before tax to EPRA earnings is set out in note 2.2 of the financial statements

Rental income has increased by 6% to £108.3 million, up from £101.9 million in H1 2018, with organic rental growth driving around a third of the uplift and portfolio activity the rest. Use of our operating platform has enabled us to deliver a 12% increase in EPRA earnings per share to 23.2p (H1 2018: 20.7p).

PRISM, our proprietary technology platform, continues to drive enhanced customer service benefits and the long-term improvement in the Group's NOI margin, to 78.0% for the six months (H1 2018: 77.1%). As we continue to improve the quality of the portfolio through our refurbishment, development, acquisition and forward-fund activity, we expect to generate further efficiencies of scale. Overheads have reduced year-on-year as a result of our ongoing efficiency programme and this has delivered a further improvement in our EBIT margin to 76.0% (H1 2018: 73.7%). Allowing for seasonality in our margins, we remain on track to deliver our full year EBIT margin target of 74% by the end of 2021.

Finance costs have increased to £20.7 million (H1 2018: £19.3 million), reflecting higher net debt of £897 million (31 December 2018: £856 million). £5.1 million of interest costs were capitalised in the first half, broadly in line with £5.4 million in H1 2018, reflecting the ongoing level of development activity. The cost of debt has remained stable at 3.8% (31 December 2018: 3.8%) and would reduce to 3.4% on a fully drawn basis.

Occupancy, reservations and rental growth

Our lettings performance has been strong throughout the 2019/20 sales cycle. Reservations of 92% for 2019/20 as at 17 July represent a record level at this time of year (2018: 91%). We see this as an optimum level at this stage in the booking cycle, providing us with sufficient capacity to manage demand and optimise rental growth once A-level grades are awarded in mid-August. We expect to reach our target level of 97-98% occupancy for the 2019/20 academic year.

Our performance is again underpinned by a high level of nominations agreements with 60% of beds secured by Universities (2018: 60%), demonstrating their confidence in their ability to recruit students, as well as the quality of our brand in the Higher Education sector. Looking ahead to the 2019/20 academic year, contracted nomination agreements will maintain our WAULT at six years. New long-term nomination agreements with the University of Birmingham at Battery Park and Oxford Brookes University at Cowley Barracks provide significant visibility over income on our 2019 development completions, with around 70% of beds secured by nomination agreements.

We will maintain our focus on portfolio quality and the proportion of income and rental growth underpinned by nominations agreements with strong University partners following our acquisition of Liberty Living. Our success in delivering valuable nominations agreements is supported by an improvement in our independently verified University Trust Score that increased to a record level of 82% in 2019 (2018: 81%).

The reservations performance has also been supported by a high level of rebookings from existing customers who account for around a quarter of direct-let sales. Direct-let bookings from postgraduate and non-EU international students, who have more predictable booking patterns and are less affected by UK Government funding, make up a further 20% of our total income. This leaves only 9% of our income and rental growth exposed to less predictable first-time UK and EU undergraduate customers.

Our office in China continues to perform well. The small team has successfully built relationships with over 15 Universities, acting as a link to support their students who choose to study in the UK. The team has supported 4,850 sales for the 2019/20 academic year, up from 3,500 in 2018/19. In addition, the team provides direct support to students and their parents about what to expect and logistical details before they travel to the UK.

As a result of our positive sales performance, we expect rental growth for the full year to be in line with our target of between 3.0-3.5%. This is consistent with the average over the past five years. This rental growth is being delivered across our nominations agreements and direct-let accommodation and we expect this trend to continue over the coming few years.

The added flexibility that PRISM has introduced to our booking and service delivery standards is supporting the growth of flexible tenancies. This is allowing us to improve the utilisation of our assets, particularly over the summer. We have delivered an increase of 22,000 tenancy weeks for like-for-like properties in the 2018/19 academic year, taking estate utilisation to c.89% and accounting for around a third of rental growth delivered in the year. We see potential to further improve utilisation in the next few years through growth in extended and flexible tenancies and summer income to meet the changing nature of student demand.

Service and efficiency enhancements

Our best-in-class operating platform continues to drive both service enhancements and operational efficiency. We remain committed to reinvesting a significant proportion of savings in enhanced customer services that deliver value for money for students and support our purpose of creating a Home for Success. This ongoing investment in our customer proposition is factored into our 74% EBIT margin target.

Home for Success means providing a living environment that enables students to get the very best out of their time at University. With this in mind, we continue to invest in the things that our extensive research tells us matter most to them: the smoothest possible transition to University life; a home that is safe and secure, where they can study and socialise in the way they want; and ensuring that help is on hand when it's needed.

A recent survey by UCAS and Knight Frank demonstrates that today's value-conscious student fully understands the importance of accommodation in their overall University experience. Scale, combined with our operating platform, allows us to both meet their expectations and maximise our operating efficiency. This virtuous circle is underpinned by a combination of technology and human interaction.

A recent upgrade to our PRISM operating platform has transformed our booking process and supported the roll-out of a new user-friendly customer website, providing a better experience for a generation of students who are accustomed to researching and booking services online. As well as ensuring an efficient, hassle-free process for conventional tenancies, the new platform provides opportunities to maximise income by supporting more flexible tenancy lengths and a quicker turnaround of vacated rooms.

At the same time as investing in our digital capability, we are expanding our provision of face-to-face support. Recruitment is underway for a 150-strong network of Student Ambassadors, paid the National Living Wage, to help the 2019 intake of students navigate the transition to University life, relieving the pressure on our people by providing peer-to-peer help with everyday issues.

In our 24-hour contact centre, a combination of enhanced staff training, better call-routing technology and increased use of webchats means students are getting the help they need more quickly, cutting wait times and reducing call volumes.

The overall value of our proposition is reflected in our ongoing high-occupancy levels and record high-customer satisfaction as demonstrated by our annual independent customer survey. Meanwhile, more second and third years than ever before are choosing to live with Unite rather than in private rental accommodation.

In order to help applicants prepare properly for University, meanwhile, we are expanding the roll-out of our schools-based life skill training, Leap Skills, which was recently endorsed by the Secretary of State for Education as an example of best practice.

Our commitment to students does not stop when they graduate. We are continuing to support the development of Placer, our work experience and job-finding app. With a growing base of student subscribers and 23,000 views in the last six months, Placer was recently shortlisted for the Enterprise Awards 2019. Meanwhile, amid an increasing focus on access and participation among both policy makers and Universities, we continue to support the Unite Foundation, which is currently working with 29 partner Universities to provide scholarships and pastoral care to over 200 care leavers and estranged students who may otherwise have missed out on Higher Education.

PROPERTY REVIEW

EPRA NAV growth

EPRA NAV per share increased by 4% to 820 pence at 30 June 2019 (31 December 2018: 790 pence). In total, EPRA net assets were £2,170 million at 30 June 2019, up from £2,085 million six months earlier.

The main drivers of the £85 million (30 pence per share) growth in EPRA NAV were:

- The growth in the value of the Group's share of investment assets as a result of rental growth (+£45 million, +17 pence) and yield compression (+£14 million, +5 pence)
- The value added to the development portfolio (+£18 million, +7 pence)
- The positive impact of retained profits after dividends paid (+£8 million, +1 pence)

Property portfolio

The valuation of our property portfolio at 30 June 2019, including our share of gross assets held in USAF and LSAV, was £3,082 million (31 December 2018: £2,967 million). The £115 million increase in portfolio value reflects the valuation movements outlined above together with capital expenditure on developments of £72 million and £9 million on investment activity, offset by £43 million as a result of disposals. The application of IFRS 16 increased gross assets by a further £111 million due to the recognition of an asset for our sale and leaseback portfolio.

Our focus on the most attractive University locations means that our portfolio is well placed to deliver continued rental growth.

Summary balance sheet

	30 June 2019			30 June 2018			31 December 2018		
	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	1,468	1,242	2,710	1,313	1,161	2,474	1,497	1,188	2,685
Rental properties (leased)	111	-	111	-	-	-	-	-	-
Properties under development	369	3	372	331	14	345	279	3	282
Total property	1,948	1,245	3,193	1,644	1,175	2,819	1,776	1,191	2,967
Net debt	(484)	(413)	(897)	(410)	(360)	(770)	(471)	(385)	(856)
Lease liability	(100)	-	(100)	-	-	-	-	-	-
Other assets/(liabilities)	(13)	(13)	(26)	(25)	(15)	(40)	(14)	(12)	(26)
EPRA net assets	**1,351**	**819**	**2,170**	**1,209**	**800**	**2,009**	**1,291**	**794**	**2,085**

The proportion of the property portfolio that is income generating is 88%, slightly down from 90% at 31 December 2018, with 12% now under development. We will continue to manage the development weighting of our balance sheet to remain within our internal cap of 20% going forward.

Student accommodation yields

The purpose-built student accommodation sector continues to perform well. Strong fundamentals and a track record of consistent rental growth continue to attract significant volumes of capital. Approximately £1 billion of assets traded in H1, excluding our proposed acquisition of Liberty Living's £2.2 billion UK portfolio. Future transaction volumes are expected to be lower than the high levels seen over recent years, due to less stock coming to market following a period of consolidation by larger operators. There is still a strong appetite to deploy capital in the sector. The buyers of assets are generally international and are either adding to existing platforms or are new to the sector.

The average net initial yield across the portfolio is 5.0% (December 2018: 5.0%), reflecting 3 basis points of yield compression during the first six months of the year. This movement has been most notable in London on the back of recent strong investment activity. Investor appetite remains strongest for assets in good locations, close to high-performing Universities, and this continues to drive further differentiation in yields between assets.

An indicative spread of direct-let yields by location is outlined below:

	30 Jun 2019	30 Jun 2018	31 Dec 2018
London	4.0-4.25%	4.25-4.5%	4.0-4.25%
Prime provincial	4.5-5.0%	4.5-5.0%	4.5-5.0%
Major provincial	5.0-5.5%	5.25-5.5%	5.0-5.5%
Provincial	6.0-7.0%	6.0-6.25%	6.0-6.5%

Buildings designed for students

The focus of our property activity is to provide buildings designed specifically around the needs of today's students, in the best locations alongside high-performing Universities. We involve our University partners in the design and planning process to ensure that we are delivering buildings that meet the requirements of their students. We also aim to provide value-for-money accommodation and look to continually enhance the specification of our estate, using technology to improve customer service and drive efficiency savings through energy and water savings, upgraded Wi-Fi speeds and new features to improve the living experience.

Our development and portfolio activity is designed to support this strategic approach, ensuring that the portfolio is best placed to meet students' requirements and drive full occupancy and rental growth in the medium term.

Development and University partnership activity

Development and University partnership activity continues to be a significant driver of growth in future earnings and NAV. Our pipeline of traditional development, University partnerships and forward funds includes 6,580 beds with a total development cost of £696 million. We expect to maintain a run-rate of around 2,000 beds p.a. funded from internally generated sources.

The anticipated yield on cost of this secured pipeline is 7.0%. Prospective returns on new direct-let schemes remain attractive at around 7.0% in London and 8.0% in the regions. We have lower hurdle rates for developments that are supported by Universities or where another developer is undertaking the higher-risk activities of planning and construction.

The 2019 development pipeline is nearing completion on time and to budget. We are opening 2,390 beds across three properties, with around 70% of the beds secured under nominations agreements, with an average life of 16 years, supporting our ongoing focus on quality of income.

In the first half, we secured planning on our 913-bed Middlesex Street site in London (subject to GLA approval) for delivery in 2021. Middlesex Street creates new supply in a strategically important location where there is a shortage of affordable, high-quality accommodation. The scheme is expected to deliver a £65 million uplift to NAV and will add £7 million to EPRA earnings from 2021/22.

We continue to identify new development and University partnership opportunities and currently have one London and three regional development sites under offer. In addition, we are acquiring a c.400-bed London development site as part of the acquisition of Liberty Living.

As a result of ongoing discussions with the University of Bristol, we expect to deliver our Temple Quay and Old BRI developments, totalling 1,020 beds, as University Partnerships. Our pre-application engagement is progressing well and we anticipate securing consent over the next six to nine months.

Our development activity is analysed in more detail below.

Secured development and partnerships pipeline

	Target delivery	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	%
Wholly owned								
Skelhorne Street, Liverpool	2019	1,085	90	74	15	5	6	8.0%
Tower North, Leeds	2020	976	113	83	11	50	12	8.0%
First Way, London	2020	678	126	102	21	42	12	6.0%
New Wakefield, Manchester	2021	603	83	56	8	28	13	8.2%
Total wholly owned		**3,342**	**412**	**315**	**55**	**125**	**43**	**7.6%**
University partnerships								
Cowley Barracks, Oxford	2019	887	107	73	11	3	4	6.5%
Old BRI, Bristol[1]	2021	370	52	39	-	25	12	6.2%
Middlesex Street, London[2]	2021	913	247	182	1	174	65	6.1%
Temple Quay, Bristol[1]	2022	650	95	77	-	77	18	6.2%
Total University partnerships		**2,820**	**501**	**371**	**12**	**279**	**99**	**6.3%**
USAF								
Battery Park, Birmingham	2019	418	46	38	-	28	5	6.3%
Total USAF		**418**	**46**	**38**	**-**	**28**	**5**	**6.3%**
Unite share of USAF		**418**	**12**	**10**	**-**	**7**	**1**	**6.3%**
Total pipeline (Unite share)		**6,580**	**925**	**696**	**67**	**411**	**143**	**7.0%**

[1] Subject to obtaining planning consent
[2] Subject to GLA approval

University partnerships

We continue to make progress with our strategy of delivering ongoing growth through partnerships with Universities. Through our Higher Education engagement team, we have a pipeline of 10 active discussions for new University partnerships across a range of different models including further off-campus developments, long-term nomination agreements, stock transfer and third-party management arrangements. We expect to add one or two new deals per year as previously outlined.

At Cowley Barracks in Oxford, our 887-bed University partnership development with Oxford Brookes University is set to welcome students from September 2019. We have agreed a 25-year nomination agreement with the University, taking our partnership with them to over 1,250 beds. The agreement provides the University with much needed accommodation in a local area where new development is difficult and Unite with income and rental growth certainty over the long term.

Our newly consented development at Middlesex Street in London has been supported through planning by Kings College London, with both parties working towards a long-term nomination agreement. Both partnerships reflect Unite's strategy of aligning its property portfolio to the best locations and high-ranking Universities where student numbers are growing fastest.

Disposal activity

We will continue to manage the quality of the portfolio and our balance sheet leverage by recycling capital through disposals and reinvesting into developments and acquisitions of assets aligned to the best Universities. During the first half, we agreed to sell a portfolio of three assets to USAF for £105 million (Unite share: £79m), representing a net initial yield of 5.5%. The assets are located in Portsmouth and Leeds and total 1,223 beds. The Portsmouth disposals completed in June and the sale of Concept Place in Leeds is due to complete in Q3.

Following the acquisition of Liberty Living, we intend to dispose of approximately £150-200 million of assets per annum during the next three years, broadly in line with historical levels. These target disposals, combined with rental growth, are intended to ensure that we meet our target LTV of 35% and underpin our ability to sustain rental growth over a longer-time horizon.

A sustainable business

We continue to invest in the portfolio to maintain our buildings to a high standard and to take advantage of asset management opportunities. As part of this activity, we see opportunities to improve the environmental performance of our buildings through energy, carbon and water saving initiatives. Over the course of the last five years, we have invested £30 million into energy efficiency initiatives such as LED lighting, smart building controls, solar panels and air source heat pumps, achieving a 47% reduction in carbon emissions per bed between 2014 and 2018. We have developed an award-winning customer engagement programme, working closely with the National Union of Students, to encourage students to adopt lasting responsible living habits. We also purchase 100% renewable energy. The energy, water and carbon reductions from these initiatives have delivered significant savings that support our margin improvements.

Alongside our focus on our environmental impact, we believe strongly in supporting Universities to widen participation into Higher Education. The Unite Foundation works in partnership with 29 Universities to provide support to students from challenging backgrounds. The scholarships provide students with free accommodation for three years of study, supporting them to succeed and giving them a place to call home.

These improvements, along with other aspects of our Up to uS Responsible Business Strategy, have helped us maintain GRESB Green Star status and a 3-star rating and are reflected in other external assessments, including an ‘AA’ rating from MSCI ESG and listings on the FTSE4Good index and the GPR IPCM LFFS Sustainable GRES index.

FINANCIAL PERFORMANCE

Income statement

A full reconciliation of Profit before tax to EPRA earnings measures is set out in summary below and expanded in section 2 of the financial statements.

The decrease in profit before tax is the result of a lower level of valuation gains of £73 million being recognised in the first six months of 2019 compared with the £87 million recognised in H1 2018, £5.4 million of acquisition costs incurred in relation to the proposed acquisition of Liberty Living and a decrease in the valuation of interest rate swaps. The acquisition costs represent the non-contingent element of costs relating to the Liberty Living transaction. There is a further £18.9 million of costs relating to the placing or that are contingent on completion of the transaction.

	H1 2019 £m	H1 2018 £m	FY2018 £m
EPRA earnings	61.2	52.9	88.4
Valuation gains and profit/loss on disposal	73.3	87.4	153.6
Acquisition costs	(5.4)	-	-
Changes in valuation of interest rate swaps and debt break costs	(2.9)	(0.1)	(0.1)
Minority interest and tax	(0.7)	2.3	3.9
Profit before tax	**125.5**	**142.5**	**245.8**
EPRA earnings per share	23.2p	20.7p	34.1p
Basic earnings per share	53.3p	53.9p	90.8p

Cash flow and net debt

The Operations business generated £47 million of net cash in 2019 (H1 2018: £46 million) and net debt increased to £897 million (31 December 2018: £856 million). The key components of the movement in net debt were the operational cash flow (generating total inflows of £47 million) and net disposal proceeds of £45 million, offset by total capital expenditure of £81 million and dividends paid of £44 million.

Debt financing

The Group maintains a disciplined approach to managing leverage, with see-through LTV of 29% at 30 June 2019 (31 December 2018: 29%).

The Group's see-through LTV is expected to increase to approximately 38% immediately following completion of the acquisition of Liberty Living. We intend to dispose of c.£150-200 million of assets per annum during the next three years to fund our development activity and reduce LTV to a target of 35% by the end of 2021, assuming current yields.

With greater focus on the earnings profile of the business, we are continuing to monitor our net debt to EBITDA ratio, which we target to return to 6-7x over the medium term.

The Unite Group plc has maintained investment grade corporate ratings of BBB from Standard & Poor's and Baa2 from Moody's, reflecting Unite's robust capital position, cash flows and track record. As a result of the acquisition of Liberty Living, Standard & Poor's and Moody's have affirmed Unite's and Liberty Living's credit ratings and changed the outlook from stable to positive.

Interest rate hedging arrangements and cost of debt

Our average cost of debt has remained at 3.8% (31 December 2018: 3.8%) and the Group has 100% of investment debt subject to a fixed interest rate (31 December 2018: 99%) for an average term of 5.4 years (31 December 2018: 5.8 years). We will continue to proactively manage debt maturity profiles and to lock into longer-term debt at rates below our current average cost of debt.

The acquisition of Liberty Living is expected to reduce our average cost of debt to 3.5%. Borrowings for the combined group are well diversified across lenders and maturities, with only limited maturities before 2022.

Key debt statistics (Unite share basis)	**30 Jun 2019**	**30 Jun 2018**	**31 Dec 2018**
Net debt	£897m	£770m	£856m
LTV	29%	27%	29%
Net debt:EBITDA ratio	6.0	5.8	6.1
Interest cover ratio	4.1	4.1	3.4
Average debt maturity	5.4 years	4.8 years	5.8 years
Average cost of debt	3.8%	4.1%	3.8%
Proportion of investment debt at fixed rate	100%	85%	99%

Amendments to IFRS

The new accounting standard, IFRS 16 Leases, became effective from 1 January 2019. This standard impacts our sale and leaseback portfolio which comprised 2,690 beds across eight properties at 30 June 2019. These properties were sold by the Group between 2004 and 2009 to institutional investors and simultaneously leased back by the Group. The properties have income secured by nominations agreements to offset the lease payment to the institutional owners. The new standard creates a right-of-use asset for leased properties based on net income forecasts and a liability for future lease payments.

At 30 June 2019, LTV of the leased properties is 90%, due to the recognition of £111 million of leased properties and a lease liability of £100 million. This causes LTV to increase by 2% on a see-through basis. As this is a result of the accounting treatment for leased properties under the new standard, the Group continues to monitor and present LTV on a pre-IFRS 16 adjustments basis. Both Earnings and NAV have marginally benefitted from the application of IFRS 16.

The table below shows the impact of adopting the new standard on EPRA Earnings, EPRA NAV and LTV in H1 2019. Further details of the impact on transition can be found in note 1 of the financial statements.

	H1 2019 pre-IFRS 16 £m	IFRS 16 adjustments £m	H1 2019 post-IFRS 16 £m
Income statement			
Net operating income	84.4	-	84.4
Overheads less management fees	(2.9)	0.8	(2.1)
Finance costs	(21.1)	0.4	(20.7)
Development/other	(0.4)	-	(0.4)
EPRA Earnings	**60.0**	**1.2**	**61.2**
EPRA EPS (p)	**22.8**	**0.5**	**23.2**
EBIT margin	*75.3%*		*76.0%*
Balance sheet			
Rental properties	2,710	-	2,710
Leased properties	-	111	111
Properties under development	372	-	372
Total property portfolio/GAV	3,082	111	3,193
Cash	138	-	138
Debt	(1,035)	-	(1,035)
Lease liability	-	(100)	(100)
Net debt	(897)	(100)	(997)
Other assets/(liabilities)	(17)	(9)	(26)
EPRA NAV	**2,168**	**2**	**2,170**
EPRA NAV (p)	**820**	**-**	**820**
LTV	*29%*		*31%*

Share placing

We completed a placing of 26.4 million new ordinary shares in July 2019 at a price of 985 pence per share, raising gross proceeds of £260 million. The proceeds will be used to fund part of the cash consideration for the acquisition of Liberty Living. The company applied the principles of pre-emption when allocating new shares to those investors that participated in the placing.

The Board expects the placing and associated acquisition of Liberty Living to be materially accretive to earnings and dividends from the year ending 31 December 2020. If completion of the acquisition does not occur, the company intends to use the net proceeds of the placing in connection with its development and University partnership pipeline or for general commercial activities.

Dividend

We have declared an interim dividend payment of 10.25 pence per share (H1 2018: 9.5 pence), an increase of 8% over 2018. Of the 10.25 pence dividend, 9.0 pence will comprise a Property Income Distribution (PID).

The interim dividend will be paid on 1 November 2019 to shareholders on the register at close of business on 20 September 2019. The placing shares issued in July 2019 will be entitled to the interim dividend.

For those shareholders electing to the Company's scrip scheme, this interim dividend will be paid in new ordinary shares on the PID element of this interim dividend (but not the non-PID element, which is payable in cash). The last date for receipt of scrip elections for this interim dividend is 11 October 2019. Details of the scrip scheme, terms and conditions and the process for election to the scrip scheme are available at the Company's website.

As a result of the quality, predictable earnings outlook for the business, we are planning to maintain our dividend pay-out at 85% of EPRA earnings.

Tax and REIT status

The Group holds REIT status and is exempt from tax on its property business. During the first half of 2019, we recognised a current tax credit of £1.3 million, reflecting £1.2 million of corporation tax relating primarily to profits on our property management activities (H1 2018: £1.5 million) and a £2.5 million tax credit in respect of prior years.

The Finance Act 2019 has resulted in the reversal of the deferred tax liability of £24.4 million on investments in USAF units and the corresponding deferred tax asset of £9.9 million on losses, resulting in a £14.5 million increase in net asset value.

Funds and joint ventures

The table below summarises the key financials at 30 June 2019 for each vehicle.

	Property Assets £m	Net debt £m	Other assets £m	Net assets £m	Unite share of NAV £m	Maturity	Unite share
USAF	2,399	(679)	(2)	1,718	431	Infinite	25%
LSAV	1,275	(483)	(16)	776	388	2022/2027	50%

USAF and LSAV have performed well in the six months to 30 June 2019 in line with the broader performance of the business.

In May, USAF raised £250 million of new equity from external investors. Unite did not participate in the equity raise, meaning its stake in USAF will reduce from 25% to 23% when the equity is fully drawn.

We agreed to sell three assets to USAF for a total consideration of £105 million in May (Unite share £79 million), located in Portsmouth and Leeds. In addition, USAF acquired two properties in Newcastle in H1 for a total of £34 million, including allowance for an extensive refurbishment of both properties.

Furthermore, as part of the acquisition of Liberty Living, USAF has agreed to acquire Liberty Living's Cardiff properties (totalling 3,480 beds) for £253 million. USAF retains additional investment capacity following the acquisitions of Liberty Living's Cardiff properties.

The London portion of our LSAV joint venture has a maturity in 2022. Discussions are ongoing with our joint venture partner GIC over the future of the vehicle. The joint venture has performed well over its life and we continue to see an opportunity to realise value from the promote fee payable to Unite at maturity.

Fees

During the six months to June 2019, the Group recognised net fees of £7.2 million from its fund and asset management activities (H1 2018: £7.0 million). The increase was driven by growth in NOI and asset valuations.

	H1 2019 £m	H1 2018 £m	FY2018 £m
USAF asset management fee	5.4	5.5	10.2
LSAV asset and property management fee	1.6	1.5	3.0
USAF acquisition fee	0.2	-	-
Unite disposal management fee	-	-	2.4
Total fees	**7.2**	**7.0**	**15.6**

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 and gives a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer, or the undertakings included in the consolidation as a whole as required by DTR 4.2.4R

- 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 Chief Executive Officer	Joe Lister Chief Financial Officer

23 July 2019

Forward-looking statements

The preceding interim statement has been prepared for the shareholders of the Company, as a body, and for no other persons. Its purpose is to assist shareholders of the Company to assess the strategies adopted by the Company and the potential for those strategies to succeed and for no other purpose. The interim statement contains forward-looking statements that are subject to risk factors associated with, amongst other things, the economic, regulatory and business circumstances occurring from time to time in the sectors and markets in which the Group operates. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a wide range of variables that could cause actual results to differ materially from those currently anticipated. No assurances can be given that the forward-looking statements will be realised. The forward-looking statements reflect the knowledge and information available at the date of preparation. Nothing in the interim statement should be considered or construed as a profit forecast for the Group. Except as required by law, the Group has no obligation to update forward-looking statements or to correct any inaccuracies therein.

Introduction and table of contents

These financial statements are prepared in accordance with IFRS. The Board of Directors also present the Group's performance on the basis recommended for real estate companies by the European Public Real Estate Association (EPRA). The reconciliation between IFRS performance measures and EPRA performance measures can be found in Section 2.2a for EPRA Earnings and 2.3a for EPRA net asset value (NAV). The adjustments to the IFRS results are intended to help users in the comparability of these results across other listed real estate companies in Europe and reflect how the directors monitor the business.

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 2019

	Note	Unaudited 6 months to 30 June 2019 Total £m	Unaudited 6 months to 30 June 2018 Total £m	Year to 31 December 2018 Total £m
Rental income	2.4	66.2	60.6	112.7
Other income	2.4	7.3	7.0	15.6
Total revenue		**73.5**	**67.6**	**128.3**
Cost of sales		(14.6)	(20.0)	(40.2)
Operating expenses		(10.6)	(11.1)	(23.6)
Results from operating activities		48.3	36.5	64.5
Loss on disposal of property		(0.9)	(0.5)	(6.8)
Net valuation gains on property (owned)	3.1a	53.3	59.1	105.8
Net valuation losses on property (leased)	3.1a	(2.3)	-	-
Acquisition costs	2.2b	(5.4)	-	-
Profit before net financing costs		**93.0**	**95.1**	**163.5**
Loan interest and similar charges		(10.0)	(5.9)	(14.3)
Mark to market changes in interest rate swaps		(2.4)	-	-
Swap cancellation and loan break costs		(0.5)	(0.1)	(0.1)
Interest on lease liability		(4.7)	-	-
Finance costs		(17.6)	(6.0)	(14.4)
Finance income		1.9	0.1	0.9
Net financing costs		**(15.7)**	**(5.9)**	**(13.5)**
Share of joint venture profit	3.3a	48.2	53.3	95.8
Profit before tax		**125.5**	**142.5**	**245.8**
Current tax		1.3	(1.6)	(4.1)
Deferred tax		14.4	(2.0)	(4.4)
Profit for the period		**141.2**	**138.9**	**237.3**
Profit for the period attributable to				
Owners of the parent company	2.2c	140.3	137.9	235.7
Minority interest		0.9	1.0	1.6
		141.2	**138.9**	**237.3**
Earnings per share				
Basic	2.2c	53.3p	53.9p	90.8p
Diluted	2.2c	53.1p	53.6p	90.6p

All results are derived from continuing activities.

Consolidated statement of comprehensive income

For the 6 months to 30 June 2019

	Unaudited 6 months to 30 June 2019 £m	Unaudited 6 months to 30 June 2018 £m	Year to 31 December 2018 £m
Profit for the period	**141.2**	**138.9**	**237.3**
Movements in effective hedges	(4.4)	(0.6)	0.6
Share of joint venture movements in effective hedges	(0.5)	0.6	1.2
Other comprehensive income for the period	(4.9)	-	1.8
Total comprehensive income for the period	**136.3**	**138.9**	**239.1**
Attributable to			
Owners of the parent company	135.4	137.9	237.5
Minority interest	0.9	1.0	1.6
	136.3	**138.9**	**239.1**

All other comprehensive income may be classified as profit and loss in the future.

Consolidated balance sheet

At 30 June 2019

	Note	Unaudited 30 June 2019 £m	Unaudited 30 June 2018 £m	31 December 2018 £m
Assets				
Investment property (owned)	3.1a	1,468.5	1,313.4	1,497.1
Investment property (leased)	3.1a	110.7	-	-
Investment property under development	3.1a	368.4	331.3	278.9
Investment in joint ventures	3.3a	844.6	824.2	819.7
Other non-current assets		25.5	31.8	33.0
Right of use assets		3.0	-	-
Deferred tax asset		2.8	-	-
Total non-current assets		**2,823.5**	**2,500.7**	**2,628.7**
Inventories	3.2	11.2	13.2	9.1
Right of use assets		0.8		
Trade and other receivables		62.8	56.9	88.1
Cash and cash equivalents		106.9	49.3	123.6
Total current assets		**181.7**	**119.4**	**220.8**
Total assets		**3,005.2**	**2,620.1**	**2,849.5**
Liabilities				
Borrowings	4.1	(86.2)	(1.3)	(1.3)
Lease liability		(1.3)	-	-
Trade and other payables		(110.2)	(120.9)	(141.5)
Current tax liability		(4.6)	(7.2)	(4.6)
Total current liabilities		**(202.3)**	**(129.4)**	**(147.4)**
Borrowings	4.1	(502.1)	(458.6)	(591.3)
Lease liability		(102.7)	-	-
Interest rate swaps	4.2	(6.9)	(1.4)	(0.1)
Deferred tax liability		-	(9.6)	(11.9)
Total non-current liabilities		**(611.7)**	**(469.6)**	**(603.3)**
Total liabilities		**(814.0)**	**(599.0)**	**(750.7)**
Net assets		**2,191.2**	**2,021.1**	**2,098.8**
Equity				
Issued share capital		66.0	65.8	65.9
Share premium		740.6	740.3	740.5
Merger reserve		40.2	40.2	40.2
Retained earnings		1,321.1	1,151.2	1,224.4
Hedging reserve		(3.0)	(2.1)	2.0
Equity attributable to the owners of the parent company		**2,164.9**	**1,995.4**	**2,073.0**
Minority interest		26.3	25.7	25.8
Total equity		**2,191.2**	**2,021.1**	**2,098.8**

Consolidated statement of changes in shareholders' equity

For the 6 months to 30 June 2019

	Issued share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Hedging reserve £m	Attributable to owners of the parent £m	Minority interest £m	Total £m
At 1 January 2019	**65.9**	**740.5**	**40.2**	**1,224.4**	**2.0**	**2,073.0**	**25.8**	**2,098.8**
(Unaudited)								
Effect of initial application of IFRS 16	-	-	-	3.2	-	3.2	-	3.2
At 1 January 2019 – As restated	65.9	740.5	40.2	1,227.6	2.0	2,076.2	25.8	2,102.0
Profit for the period	-	-	-	140.3	-	140.3	0.9	141.2
Other comprehensive income for the period	-	-	-	-	(4.9)	(4.9)	-	(4.9)
Total comprehensive income for the period	**-**	**-**	**-**	**140.3**	**(4.9)**	**135.4**	**0.9**	**136.3**
Shares issued	0.1	0.1	-	-	-	0.2	-	0.2
Scrip dividend related share issue	-	-	-	-	-	-	-	-
Fair value of share based payments	-	-	-	0.8	-	0.8	-	0.8
Deferred tax on share based payments	-	-	-	-	-	-	-	-
Own shares acquired	-	-	-	-	-	-	-	-
Realised swap gain	-	-	-	-	(0.1)	(0.1)	-	(0.1)
Dividends to owners of the parent company	-	-	-	(47.6)	-	(47.6)	-	(47.6)
Dividends to minority interest	-	-	-	-	-	-	(0.4)	(0.4)
At 30 June 2019	**66.0**	**740.6**	**40.2**	**1,321.1**	**(3.0)**	**2,164.9**	**26.3**	**2,191.2**

	Issued share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Hedging reserve £m	Attributable to owners of the parent £m	Minority interest £m	Total £m
At 1 January 2018	**60.2**	**579.5**	**40.2**	**1,051.2**	**(2.1)**	**1,729.0**	**25.2**	**1,754.2**
(Unaudited)								
Profit for the period	-	-	-	137.9	-	137.9	1.0	138.9
Other comprehensive income for the period	-	-	-	-	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**-**	**137.9**	**-**	**137.9**	**1.0**	**138.9**
Shares issued	5.5	160.9	-	-	-	166.4	-	166.4
Scrip dividend related share issue	0.1	(0.1)	-	-	-	-	-	-
Fair value of share based payments	-	-	-	2.1	-	2.1	-	2.1
Deferred tax on share based payments	-	-	-	(1.8)	-	(1.8)	-	(1.8)
Own shares acquired	-	-	-	-	-	-	-	-
Dividends to owners of the parent company	-	-	-	(38.2)	-	(38.2)	-	(38.2)
Dividends to minority interest	-	-	-	-	-	-	(0.5)	(0.5)
At 30 June 2018	**65.8**	**740.3**	**40.2**	**1,151.2**	**(2.1)**	**1,995.4**	**25.7**	**2,021.1**

	Issued share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Hedging reserve £m	Attributable to owners of the parent £m	Minority interest £m	Total £m
At 1 January 2018	**60.2**	**579.5**	**40.2**	**1,051.2**	**(2.1)**	**1,729.0**	**25.2**	**1,754.2**
Profit for the period	-	-	-	235.7	-	235.7	1.6	237.3
Other comprehensive income for the period	-	-	-	-	1.8	1.8	-	1.8
Total comprehensive income for the period	**-**	**-**	**-**	**235.7**	**1.8**	**237.5**	**1.6**	**239.1**
Shares issued	5.7	161.0	-	-	-	166.7	-	166.7
Scrip dividend related share issue	-	-	-	-	-	-	-	-
Fair value of share based payments	-	-	-	1.1	-	1.1	-	1.1
Deferred tax on share based payments	-	-	-	0.3	-	0.3	-	0.3
Own shares acquired	-	-	-	(1.4)	-	(1.4)	-	(1.4)
Realised swap gain	-	-	-	-	2.3	2.3	-	2.3
Dividends to owners of the parent company	-	-	-	(62.5)	-	(62.5)	-	(62.5)
Dividends to minority interest	-	-	-	-	-	-	(1.0)	(1.0)
At 31 December 2018	**65.9**	**740.5**	**40.2**	**1,224.4**	**2.0**	**2,073.0**	**25.8**	**2,098.8**

Consolidated statement of cash flows

For the 6 months to 30 June 2019

	Unaudited 6 months to 30 June 2019 £m	Unaudited 6 months to 30 June 2018 £m	Year to 31 December 2018 £m
Cash flows from operating activities	**38.9**	**24.5**	**63.5**
Cash flows from taxation	**(1.9)**	**(4.1)**	**(3.8)**
Investing activities			
Proceeds from sale of investment property (owned)	**69.5**	-	38.0
Dividends received	**19.2**	24.0	37.5
Interest received	**1.9**	0.1	0.9
Redemption of units	**-**	-	30.9
Acquisition of intangible assets	**(2.3)**	(3.4)	(6.6)
Acquisition of property	**(80.4)**	(111.8)	(247.9)
Acquisition of plant and equipment	**(0.1)**	(0.6)	(1.3)
Cash flows from investing activities	**7.8**	**(91.7)**	**(148.5)**
Financing activities			
Interest paid in respect of financing activities	**(10.9)**	(10.0)	(21.1)
Swap cancellation costs	**(0.5)**	(0.1)	(0.1)
Proceeds from the issue of share capital	**-**	166.4	166.7
Payments to acquire own shares	**-**	-	(1.4)
Proceeds from non-current borrowings	**-**	104.1	375.8
Repayment of borrowings	**(5.3)**	(157.8)	(295.4)
Dividends paid to the owners of the parent company	**(44.4)**	(32.7)	(62.3)
Dividends paid to minority interest	**(0.4)**	(0.5)	(1.0)
Cash flows from financing activities	**(61.5)**	**69.4**	**161.2**
Net increase/(decrease) in cash and cash equivalents	**(16.7)**	**(1.9)**	**72.4**
Cash and cash equivalents at start of period	123.6	51.2	51.2
Cash and cash equivalents at end of period	**106.9**	**49.3**	**123.6**

Notes to the interim financial statements

Section 1

General information
The information for the year ended 31 December 2018 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

Basis of preparation
The annual financial statements of The Unite Group plc 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.

Going concern
The Directors are satisfied that the Group has sufficient resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the Group condensed financial statements.

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 mitigates the seasonal impact by the use of short–term summer tenancies. However, the second half–year typically has lower revenues and EBIT margins from the existing portfolio.

Conversely, the Group's build cycle for new properties plan for construction to complete 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.

Changes in accounting policies
Aside from the adoption of IFRS 16, which is described on the pages that follow, the Group has not adopted any new accounting standards in the period or changed any accounting policies from those included in the 2018 annual report.

Changes in accounting policies - IFRS 16

In the current year, the Group, for the first time, has applied IFRS 16 Leases. The date of the initial application of IFRS 16 for the Group is 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases, requiring the recognition of a right of use asset and a lease liability at commencement for all leases, except for short term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged

Details of the Group's approach to transition to IFRS 16 is set out below, followed by a description of the impact of adopting IFRS 16.

Approach to transition

The Group has applied IFRS 16 using the cumulative catch up approach, without restatement of the comparative information. In respect of those leases the Group previously treated as operating leases, the Group has elected to measure its right of use assets as if the lease commencement date was the date of adoption of IFRS 16 (i.e. 1 January 2019).

Applying IFRS 16 to sale and leaseback properties, the Group now recognises sale and leaseback right-of-use assets in the consolidated balance sheet (investment property (leased)), initially measured at fair value using a discounted cash flow model. Other leases previously treated as operating lease have been measured following the approach in IFRS 16.C8(b)(ii), whereby right of use assets are set equal to the lease liability, adjusted for prepaid or accrued lease payments.

The group's weighted average incremental borrowing rate applied to lease liabilities as at 1 January 2019 is 4.2%.

Practical expedients adopted

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 14 will continue to be applied to those leases entered into or modified before 1 January 2019.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has used this practical expedient.

Financial impact

The application of IFRS 16 has resulted in the recognition of right of use assets and lease liabilities. Operating lease incentives previously recognised as liabilities have been derecognised and factored into the measurement of the right of use assets and lease liabilities.

The Group has chosen to use the table below to set out the adjustments recognised at the date of initial application of IFRS 16.

EPRA net assets on transition

	Group on EPRA basis		
	31 Dec 2018 as reported	IFRS 16 adjustments	1 Jan 2019 as restated
	£m	£m	Total £m
Investment properties (owned)	2,685.9	-	2,685.9
Investment properties (leased)	-	128.0	128.0
Investment properties under development	282.1	-	282.1
Total property portfolio	**2,968.0**	**128.0**	**3,096.0**
Debt on properties	(1,036.4)	-	(1,036.4)
Lease liability	-	(115.8)	(115.8)
Cash	179.9	-	179.9
Net debt	**(856.5)**	**(115.8)**	**(972.3)**
Other assets/(liabilities)	(26.1)	(9.0)	(35.1)
EPRA net assets	**2,085.4**	**3.2**	**2,088.6**

On 1 January 2019, £128.0m was recognised on balance sheet as the fair value of the sale and leaseback portfolio (classified as investment properties (leased)) and a lease liability of £115.8m.

Other liabilities increased by £9.0m due to £6.7m of leasehold improvements being transferred from other non-current assets to investment properties (leased) and £2.3m of prepayments being reclassified from receivables to the lease liability.

£4.3m of right of use (ROU) assets were recognised in relation to offices, vehicles and other equipment, with a corresponding lease liability of £4.3m. Both of these balances are included within other assets/(liabilities) in the table above.

During the 6 months ended 30 June 2019, the Group recognised the following amounts in EPRA earnings:

EPRA earnings at 30 June 2019

Unaudited 30 June 2019	Reference	Group on see through basis Total £m	IFRS 16 adjustments	Group on see through basis Total £m
Rental income		108.3	-	108.3
Property operating expenses		(23.9)	-	(23.9)
Net operating income		**84.4**	**-**	**84.4**
Management fees		7.2	-	7.2
Operating expenses	1	(10.1)	0.8	(9.3)
Operating lease rentals	2	(5.1)	5.1	-
Lease liability interest	3	-	(4.7)	(4.7)
Net financing costs		(16.0)	-	(16.0)
Operations segment result		**60.4**	**1.2**	**61.6**
Property segment result		(0.7)	**-**	(0.7)
Unallocated to segments		0.3	**-**	0.3
EPRA earnings		**60.0**	**1.2**	**61.2**

1 Disclosed within cost of sales in the consolidated income statement

2 Disclosed within operating expenses in the consolidated income statement

3 Disclosed within finance costs in the consolidated income statement

The application of IFRS 16 resulted in a decrease in operating expenses of £0.8m and operating lease rentals of £5.1m due to lease payments no longer being recognised in the P&L. An increased interest expense, in comparison to IAS 17, was recognised in respect of the interest on lease liabilities of £4.7m.

The overall impact on earnings for 2019 is expected to be twice the half year impact shown above as the impact of applying IFRS 16 is accruing evenly over the course of the year.

Impact on profit or loss

On an IFRS basis there has also been a reduction in net property valuation gains of £2.3m, which relates to the downward revaluation of investment properties (leased) and an increase to loss on disposal of £0.4m, following the cancellation of two sale and leaseback arrangements.

Section 2: Results for the period

This section focuses on the results and performance of the Group and provides a reconciliation between the primary statements and EPRA performance measures. 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.

The Group uses EPRA earnings and NAV movement as key comparable indicators across other real estate companies in Europe.

Performance measures

	Note	Unaudited 30 June 2019 £	Unaudited 30 June 2018 £	31 December 2018 £
Earnings basic	2.2c	**140.3m**	137.9m	235.7m
Earnings diluted	2.2c	**140.3m**	137.9m	235.7m
Basic earnings per share (pence)	2.2c	**53.3p**	53.9p	90.8p
Diluted earnings per share (pence)	2.2c	**53.1p**	53.6p	90.6p
Net assets basic	2.3c	**2,164.9m**	1,995.4m	2,073.0m
Basic NAV per share (pence)	2.3d	**820p**	758p	787p

EPRA performance measures

	Note	Unaudited 30 June 2019 £	Unaudited 30 June 2018 £	31 December 2018 £
EPRA earnings	2.2a	**61.2m**	52.9m	88.4m
EPRA earnings per share (pence)	2.2c	**23.2p**	20.7p	34.1p
EPRA NAV	2.3a	**2,170.4m**	2,008.6m	2,085.4m
EPRA NAV per share (pence)	2.3d	**820p**	761p	790p
EPRA NNNAV	2.3c	**2,111.1m**	1,950.3m	2,032.7m
EPRA NNNAV per share (pence)	2.3d	**798p**	739p	770p

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 2019 and 30 June 2018 and for the year ended 31 December 2018 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 Group therefore has one geographical segment.

2.2 Earnings

EPRA earnings amends IFRS measures by removing principally the unrealised investment property valuation gains and losses such that users of the Financials are able to see the extent to which dividend payments (dividends per share) are underpinned by earnings arising from purely operational activity. The reconciliation between Profit attributable to owners of the parent company and EPRA earnings is available in note 2.2 (b).

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 32 – 35 of the 2018 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.

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.

2.2a) EPRA earnings

Unaudited 30 June 2019

	UNITE	Share of joint ventures			Group on see through basis
	Total £m	USAF £m	LSAV £m	Total £m	Total £m
Rental income	66.2	22.0	20.1	42.1	108.3
Property operating expenses	(14.6)	(5.5)	(3.8)	(9.3)	(23.9)
Net operating income	**51.6**	**16.5**	**16.3**	**32.8**	**84.4**
Management fees	10.6	(1.8)	(1.6)	(3.4)	7.2
Operating expenses	(9.0)	(0.1)	(0.2)	(0.3)	(9.3)
Lease liability interest*	(4.7)	-	-	-	(4.7)
Net financing costs	(8.1)	(3.3)	(4.6)	(7.9)	(16.0)
Operations segment result	**40.4**	**11.3**	**9.9**	**21.2**	**61.6**
Property segment result	**(0.7)**	**-**	**-**	**-**	**(0.7)**
Unallocated to segments	**0.5**	**(0.1)**	**(0.1)**	**(0.2)**	**0.3**
EPRA earnings	**40.2**	**11.2**	**9.8**	**21.0**	**61.2**

*The Group has applied IFRS 16 Leases in the current period, therefore the table above has been prepared on an IFRS 16 basis. Further details of the impact of adoption of IFRS 16 can be found in note 1.

The unallocated to segments balance includes the fair value of share based payments of (£0.7 million), UNITE Foundation of (£0.4 million), fees received from USAF relating to acquisitions of £0.2 million, deferred tax charge of (£0.1 million) and current tax credit of £1.3 million.

Included in the above is rental income of £10.1 million and property operating expenses of £3.8 million relating to investment property (leased).

Unaudited 30 June 2018

	UNITE	Share of joint ventures			Group on see through basis
	Total £m	USAF £m	LSAV £m	Total £m	Total £m
Rental income	60.6	21.8	19.5	41.3	101.9
Property operating expenses	(13.9)	(5.7)	(3.8)	(9.5)	(23.4)
Net operating income	**46.7**	**16.1**	**15.7**	**31.8**	**78.5**
Management fees	10.2	(1.7)	(1.5)	(3.2)	7.0
Operating expenses	(10.0)	(0.1)	(0.3)	(0.4)	(10.4)
Operating lease rentals*	(6.1)	-	-	-	(6.1)
Net financing costs	(5.8)	(3.0)	(4.5)	(7.5)	(13.3)
Operations segment result	**35.0**	**11.3**	**9.4**	**20.7**	**55.7**
Property segment result	**(0.5)**	-	-	-	**(0.5)**
Unallocated to segments	**(2.2)**	**(0.1)**	-	**(0.1)**	**(2.3)**
EPRA earnings	**32.3**	**11.2**	**9.4**	**20.6**	**52.9**

* 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 considered these lease costs to be a form of financing.

Included in the above is rental income of £11.8 million and property operating expenses of £3.8 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 (£0.4 million), deferred tax charges of (£0.1 million) and current tax charges of (£1.6 million).

31 December 2018

	UNITE	Share of joint ventures			Group on see through basis
	Total £m	USAF £m	LSAV £m	Total £m	Total £m
Rental income	112.7	39.0	36.6	75.6	188.3
Property operating expenses	(28.6)	(11.5)	(7.9)	(19.4)	(48.0)
Net operating income	**84.1**	**27.5**	**28.7**	**56.2**	**140.3**
Management fees	21.8	(3.2)	(3.0)	(6.2)	15.6
Operating expenses	(20.9)	(0.3)	(0.5)	(0.8)	(21.7)
Operating lease rentals*	(11.5)	–	–	–	(11.5)
Net financing costs	(13.4)	(6.2)	(8.9)	(15.1)	(28.5)
Operations segment result	**60.1**	**17.8**	**16.3**	**34.1**	**94.2**
Property segment result	**(1.1)**	**–**	**–**	**–**	**(1.1)**
Unallocated to segments	**(4.3)**	**(0.2)**	**(0.2)**	**(0.4)**	**(4.7)**
EPRA earnings	**54.7**	**17.6**	**16.1**	**33.7**	**88.4**

* 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 considered these lease costs to be a form of financing.

Included in the above is rental income of £18.6 million and property operating expenses of £7.0 million relating to sale and leaseback properties.

The unallocated to segments balance includes the fair value of share based payments of (£1.1 million), UNITE Foundation of (£0.9 million), deferred tax of £1.2 million and current tax charges of (£3.9 million).

2.2b) IFRS reconciliation to EPRA earnings

EPRA earnings 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. EPRA earnings reconcile to the profit attributable to owners of the parent company as follows:

	Note	Unaudited 6 months to 30 June 2019 £m	Unaudited 6 months to 30 June 2018 £m	Year to 31 December 2018 £m
EPRA earnings	2.2a	**61.2**	**52.9**	**88.4**
Net valuation gains on investment property (owned)		53.3	59.1	105.8
Property disposals (owned)		0.2	(0.5)	(6.8)
Net valuation loss on investment property (leased)		(2.3)	-	-
Property disposals (leased)		(1.1)	-	-
Acquisition costs*		(5.4)	-	-
Share of joint venture gains on investment property	3.3a	23.3	28.8	58.1
Share of joint venture property disposals		-	-	(3.5)
Interest rate swap payments on ineffective hedges		(2.4)	-	-
Swap cancellation and loan break costs		(0.5)	(0.1)	(0.1)
Deferred tax relating to properties		14.5	(1.9)	(5.5)
Minority interest share of reconciling items**		(0.5)	(0.4)	(0.7)
Profit attributable to owners of the parent company		**140.3**	**137.9**	**235.7**

* Acquisition costs relate to non-contingent professional fees incurred in respect of the proposed acquisition of Liberty Living.

** 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.

2.2c) Earnings per share

The Basic EPS calculation is based on the earnings attributable to the equity shareholders of The 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 allow users to compare the business performance of the Group with other listed real estate companies in a consistent manner and to reflect how the business is managed and measured on a day to day basis.

The calculations of basic, diluted and EPRA EPS are as follows:

	Note	Unaudited 6 months to 30 June 2019 £m	Unaudited 6 months to 30 June 2018 £m	Year to 31 December 2018 £m
Earnings				
Basic		140.3	137.9	235.7
Diluted		140.3	137.9	235.7
EPRA	2.2a	61.2	52.9	88.4
Weighted average number of shares (thousands)				
Basic		263,186	255,988	259,466
Dilutive potential ordinary shares (share options)		818	1,316	828
Diluted		264,004	257,304	260,294
Earnings per share (pence)				
Basic		53.3p	53.9p	90.8p
Diluted		53.1p	53.6p	90.6p
EPRA EPS		**23.2p**	**20.7p**	**34.1p**

The total number of ordinary shares in issue as at 30 June 2019 is 264,030,000 (30 June 2018: 263,419,000, 31 December 2018: 263,541,000)

At 30 June 2019 there were no options excluded from the potential dilutive shares that did not affect the diluted weighted average number of shares (30 June 2018: nil, 31 December 2018: 10,357).

2.3 Net Assets

EPRA net asset value per share makes adjustments to IFRS measures by principally removing some items that are not expected to materialise in normal circumstances like items of deferred tax and the fair value of financial derivatives. The reconciliation between IFRS NAV and EPRA NAV is available in note 2.3 (c).

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 36 - 40 of the 2018 Annual Report.

2.3a) EPRA net assets

	Unaudited 30 June 2019				
	UNITE	Share of joint ventures			Group on EPRA basis
	Total £m	USAF £m	LSAV £m	Total £m	Total £m
Investment properties (owned)	1,468.5	603.9	637.7	1,241.6	2,710.1
Investment properties (leased)	110.7	-	-	-	110.7
Investment properties under development	368.4	3.2	-	3.2	371.6
Total property portfolio	**1,947.6**	**607.1**	**637.7**	**1,244.8**	**3,192.4**
Debt on properties	(590.4)	(177.6)	(267.3)	(444.9)	(1,035.3)
Lease liability	(100.2)	-	-	-	(100.2)
Cash	106.9	5.9	25.7	31.6	138.5
Net debt	**(583.7)**	**(171.7)**	**(241.6)**	**(413.3)**	**(997.0)**
Other liabilities	(12.5)	(4.4)	(8.1)	(12.5)	(25.0)
EPRA net assets	**1,351.4**	**431.0**	**388.0**	**819.0**	**2,170.4**
Loan to value*	**26%**	**28%**	**38%**	**33%**	**29%**
Loan to value post-IFRS 16	**30%**	**28%**	**38%**	**33%**	**31%**

*LTV calculated excluding leased investment property and the corresponding lease liability.

	Unaudited 30 June 2018				
	UNITE	Share of joint ventures			Group on EPRA basis
	Total £m	USAF £m	LSAV £m	Total £m	Total £m
Investment properties	1,313.4	559.7	600.9	1,160.6	2,474.0
Investment properties under development	331.3	14.0	-	14.0	345.3
Total property portfolio	**1,644.7**	**573.7**	**600.9**	**1,174.6**	**2,819.3**
Debt on properties	(459.9)	(171.0)	(212.6)	(383.6)	(843.5)
Cash	49.3	11.8	12.3	24.1	73.4
Net debt	**(410.6)**	**(159.2)**	**(200.3)**	**(359.5)**	**(770.1)**
Other liabilities	(24.8)	(4.7)	(11.1)	(15.8)	(40.6)
EPRA net assets	**1,209.3**	**409.8**	**389.5**	**799.3**	**2,008.6**
Loan to value	**25%**	**28%**	**33%**	**31%**	**27%**

	UNITE	Share of joint ventures			Group on EPRA basis
					31 December 2018
	Total £m	**USAF £m**	**LSAV £m**	**Total £m**	**Total £m**
Investment properties	1,497.1	567.1	621.7	1,188.8	2,685.9
Investment properties under development	278.9	3.2	–	3.2	282.1
Total property portfolio	**1,776.0**	**570.3**	**621.7**	**1,192.0**	**2,968.0**
Debt on properties	(594.8)	(174.6)	(267.0)	(441.6)	(1,036.4)
Cash	123.6	32.4	23.9	56.3	179.9
Net debt	**(471.2)**	**(142.2)**	**(243.1)**	**(385.3)**	**(856.5)**
Other liabilities	(13.3)	(4.9)	(7.9)	(12.8)	(26.1)
EPRA net assets	**1,291.5**	**423.2**	**370.7**	**793.9**	**2,085.4**
Loan to value	**27%**	**25%**	**39%**	**32%**	**29%**

2.3b) Movement in EPRA NAV during the period

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

Unaudited 30 June 2019

	UNITE	Share of joint ventures			Group on see through basis
	Total £m	USAF £m	LSAV £m	Total £m	Total £m
Operations					
Operations segment result	**40.4**	**11.3**	**9.9**	**21.2**	**61.6**
Property					
Rental growth	26.8	7.4	10.5	17.9	44.7
Yield movement	8.6	0.7	4.3	5.0	13.6
Disposals and acquisition (losses)/gains (owned)	0.2	-	-	-	0.2
Investment property (owned) gains	35.6	8.1	14.8	22.9	58.5
Investment property (leased) loss	(2.3)	-	-	-	(2.3)
Disposals and acquisition (losses)/gains (leased)	(1.1)	-	-	-	(1.1)
Development property gains	17.9	-	-	-	17.9
Pre-contract / other development costs	(0.7)	-	-	-	(0.7)
Total property	**49.4**	**8.1**	**14.8**	**22.9**	**72.3**
Unallocated					
Shares issued	0.2	-	-	-	0.2
Investment in joint ventures	18.5	(11.2)	(7.3)	(18.5)	-
Dividends paid	(47.6)	-	-	-	(47.6)
JV acquisition fee	0.3	(0.1)	-	(0.1)	0.2
Acquisition costs	(5.4)	-	-	-	(5.4)
Swap cancellation and loan break costs	(0.5)	-	-	-	(0.5)
Other	1.4	(0.3)	(0.1)	(0.4)	1.0
Total unallocated	**(33.1)**	**(11.6)**	**(7.4)**	**(19.0)**	**(52.1)**
Total EPRA NAV movement in the period	**56.7**	**7.8**	**17.3**	**25.1**	**81.8**
Total EPRA NAV brought forward as reported	1,291.5	423.2	370.7	793.9	2,085.4
IFRS 16 transition	3.2	-	-	-	3.2
Total EPRA NAV brought forward revised	1,294.7	423.2	370.7	793.9	2,088.6
Total EPRA NAV carried forward	**1,351.4**	**431.0**	**388.0**	**819.0**	**2,170.4**

The £1.0 million that comprises the other balance within the unallocated segment includes a tax credit of (£1.3 million), a contribution of £0.4 million to the UNITE Foundation, fair value of share options charge of £0.7 million and purchase of own shares of (£0.8 million).

Unaudited 30 June 2018

	UNITE	Share of joint ventures			Group on see through basis
	Total £m	USAF £m	LSAV £m	Total £m	Total £m
Operations					
Operations segment result	**35.0**	**11.2**	**9.5**	**20.7**	**55.7**
Property					
Rental growth	30.6	3.0	8.7	11.7	42.3
Yield movement	19.1	3.9	12.7	16.6	35.7
Disposals and acquisition (losses)/gains	(0.5)	-	0.1	0.1	(0.4)
Investment property gains	49.2	6.9	21.5	28.4	77.6
Development property gains	9.4	-	-	-	9.4
Pre-contract / other development costs	(0.5)	-	-	-	(0.5)
Total property	**58.1**	**6.9**	**21.5**	**28.4**	**86.5**
Unallocated					
Shares issued	166.4	-	-	-	166.4
Investment in joint ventures	19.6	(7.3)	(12.3)	(19.6)	-
Dividends paid	(38.2)	-	-	-	(38.2)
Swap cancellation and loan break costs	(0.1)	-	-	-	(0.1)
Other	(2.2)	(0.2)	0.3	0.1	(2.1)
Total unallocated	**145.5**	**(7.5)**	**(12.0)**	**(19.5)**	**126.0**
Total EPRA NAV movement in the period	**238.6**	**10.6**	**19.0**	**29.6**	**268.2**
Total EPRA NAV brought forward	970.7	399.2	370.5	769.7	1,740.4
Total EPRA NAV carried forward	**1,209.3**	**409.8**	**389.5**	**799.3**	**2,008.6**

The £2.1 million that comprises the other balance within the unallocated segment includes a tax charge of £1.7 million, a contribution of £0.4 million to the UNITE Foundation, fair value of share options charge of £0.2 million and purchase of own shares of (£0.2 million).

31 December 2018

	UNITE	Share of joint ventures			Group on see through basis
	Total £m	USAF £m	LSAV £m	Total £m	Total £m
Operations	**60.1**	**17.8**	**16.3**	**34.1**	**94.2**
Operations segment result					
Property					
Rental growth	38.8	6.4	19.8	26.2	65.0
Yield movement	37.4	7.9	22.3	30.2	67.6
Disposals and acquisition (losses)/gains	(6.8)	(3.4)	0.1	(3.3)	(10.1)
Investment property gains	69.4	10.9	42.2	53.1	122.5
Development property gains	29.6	0.8	–	0.8	30.4
Pre-contract / other development costs	(1.1)	–	–	–	(1.1)
Total property	**97.9**	**11.7**	**42.2**	**53.9**	**151.8**
Unallocated					
Shares issued	166.7	–	–	–	166.7
Investment in joint ventures	63.4	(5.3)	(58.1)	(63.4)	–
Dividends paid	(62.5)	–	–	–	(62.5)
Swap cancellation and loan break costs	(0.1)	–	–	–	(0.1)
Other	(4.7)	(0.2)	(0.2)	(0.4)	(5.1)
Total unallocated	**162.8**	**(5.5)**	**(58.3)**	**(63.8)**	**99.0**
Total EPRA NAV movement in the year	**320.8**	**24.0**	**0.2**	**24.2**	**345.0**
Total EPRA NAV brought forward	970.7	399.2	370.5	769.7	1,740.4
Total EPRA NAV carried forward	**1291.5**	**423.2**	**370.7**	**793.9**	**2,085.4**

The £5.1 million that comprises the other balance within the unallocated segment includes a tax charge of £2.7 million, a contribution of £0.9 million to the UNITE Foundation, fair value of share options charge of £1.1 million and purchase of own shares of £0.4 million.

2.3c) Reconciliation to IFRS

To determine EPRA NAV, net assets reported under IFRS are amended to exclude mark to market valuation of swaps, deferred tax liabilities and to recognise all properties at market value.

The Group also manages NAV using EPRA NNNAV, which adjusts EPRA NAV to include the fair value of swaps and debt. Under EPRA best practice guidelines this is considered to give stakeholders the most relevant information on the current fair value of all the assets and liabilities in the Group.

The Net Assets reported under IFRS reconcile to EPRA NAV and EPRA NNNAV as follows:

	Note	Unaudited 6 months to 30 June 2019 £m	Unaudited 6 months to 30 June 2018 £m	Year to 31 December 2018 £m
Net asset value reported under IFRS		**2,164.9**	**1,995.4**	**2,073.0**
Mark to market interest rate swaps		7.6	2.2	0.2
Realised swap gain		(2.1)	-	(2.3)
Deferred tax		-	11.0	14.5
EPRA NAV	2.3a	**2,170.4**	**2,008.6**	**2,085.4**
Mark to market of fixed rate debt		(51.7)	(45.2)	(38.0)
Mark to market interest rate swaps		(7.6)	(2.1)	(0.2)
Deferred tax		-	(11.0)	(14.5)
EPRA NNNAV		**2,111.1**	**1,950.3**	**2,032.7**

2.3d) NAV per share

Basic 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 2019 £m	Unaudited 30 June 2018 £m	31 December 2018 £m
Net assets				
Basic	2.3c	**2,164.9**	1,995.4	2,073.0
EPRA	2.3a	**2,170.4**	2,008.6	2,085.4
EPRA diluted		**2,173.3**	2.010.9	2,088.7
EPRA NNNAV (diluted)		**2,114.0**	1.952.4	2,036.0
Number of shares (thousands)				
Basic		**264,138**	263,419	263,541
Outstanding share options		**856**	744	917
Diluted		**264,994**	264,163	264,458
Net asset value per share (pence)				
Basic		**820p**	758p	787p
EPRA		**822p**	763p	791p
EPRA (fully diluted)		**820p**	**761p**	790p
EPRA NNNAV (fully diluted)		**798p**	**739p**	770p

2.4. Revenue and costs

The Group earns revenue from the following activities:

		Note	Unaudited 6 months to 30 June 2019 £m	Unaudited 6 months to 30 June 2018 £m	Year to 31 December 2018 £m
Rental income	Operations segment	2.2a	66.2	60.6	112.7
Management fees	Operations segment		7.4	7.1	15.8
			73.6	67.7	128.5
Impact of minority interest on management fees			(0.1)	(0.1)	(0.2)
Total revenue			**73.5**	**67.6**	**128.3**

The cost of sales included in the consolidated income statement includes property operating expenses of £14.6 million (30 June 2018: £13.9 million, 31 December 2018: £28.7 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 Net Asset Value (NAV), one of the Group's key performance indicators.

The following pages provide disclosures about the Group's investments in property assets and joint ventures and their performance over the period.

3.1 Wholly owned property assets

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

i) Investment property (owned)

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 (leased)

These are assets the Group sold to institutional investors and simultaneously leased back. The assets are held at fair value in the balance sheet with changes in fair value taken to the income statement.

iii) Investment property under development

These are assets which are currently in the course of construction and which will be transferred to 'Investment property' on completion. These assets are held at fair value in the balance sheet with changes in fair value taken to the income statement.

3.1a) 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 Knight Frank, Chartered Surveyors were the valuers in the 6 months ending 30 June 2019 and throughout 2018.

The valuations 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 Operations Board, Property Board and the CFO. This includes a review of the fair value movements over the period.

The movements in the carrying value of the Group's wholly owned property portfolio during the period ended 30 June 2019 are shown in the table below. The fair value of the Group's wholly owned property portfolio at the period ended 30 June 2019 is also shown below:

Unaudited 30 June 2019

	Investment property (owned) £m	Investment property (leased) £m	Investment property under development £m	Total £m
At 1 January 2019	**1,497.1**	**-**	**278.9**	**1,776.0**
IFRS 16 transition	-	128.0	-	128.0
Cost capitalised	5.4	0.7	66.5	72.6
Interest capitalised	-	-	5.1	5.1
Transfer from work in progress	-	-	-	-
Disposals	(69.4)	(15.7)	-	(85.1)
Valuation gains	48.5	-	23.1	71.6
Valuation losses	(13.1)	(2.3)	(5.2)	(20.6)
Net valuation gains / (losses)	35.4	(2.3)	17.9	51.0
Carrying value and market value at 30 June 2019	**1,468.5**	**110.7**	**368.4**	**1,947.6**

The movements in the carrying value of the Group's wholly owned property portfolio during the period ended 30 June 2018 are shown in the table below. The fair value of the Group's wholly owned property portfolio at the period ended 30 June 2018 is also shown below:

Unaudited 30 June 2018

	Investment property £m	Investment property under development £m	Total £m
At 1 January 2018	**1,261.4**	**205.7**	**1,467.1**
Cost capitalised	2.3	109.9	112.2
Interest capitalised	-	5.4	5.4
Transfer from work in progress	-	0.9	0.9
Disposals	-	-	-
Valuation gains	52.2	15.4	67.6
Valuation losses	(2.5)	(6.0)	(8.5)
Net valuation gains	49.7	9.4	59.1
Carrying value and market value at 30 June 2018	**1,313.4**	**331.3**	**1,644.7**

The movements in the carrying value of the Group's wholly owned property portfolio during the year ended 31 December 2018 are shown in the table below. The fair value of the Group's wholly owned properties at the year ended 31 December 2018 is also shown below.

31 December 2018

	Investment property £m	Investment property under development £m	Total £m
At 1 January 2018	1,261.4	205.7	1,467.1
Cost capitalised	10.5	230.7	241.2
Interest capitalised	–	10.5	10.5
Transfer from investment property under development	204.5	(204.5)	–
Transfer from work in progress	–	0.9	0.9
Disposals	(49.5)	–	(49.5)
Valuation gains	75.6	47.4	123.0
Valuation losses	(5.4)	(11.8)	(17.2)
Net valuation gains	70.2	35.6	105.8
Carrying value and market value at 31 December 2018	**1,497.1**	**278.9**	**1,776.0**

3.1b) Fair value measurement
All investment and development properties are classified as Level 3 in the fair value hierarchy.

Class of asset	6 months to 30 June 2019 £m	6 months to 30 June 2018 £m	31 December 2018 £m
London – Rental properties	531.4	488.8	499.8
Prime provincial – Rental properties	306.1	276.0	298.3
Major provincial – Rental properties	409.6	305.4	409.4
Other provincial – Rental properties	221.4	243.2	289.6
London – Development properties	71.2	-	49.1
Prime provincial – Development properties	159.4	116.9	125.4
Major provincial – Development properties	137.8	176.0	104.4
Other provincial – Development properties	-	38.4	-
Investment property (owned)	**1,836.9**	**1,644.7**	**1,776.0**
Investment property (leased)	**110.7**	**-**	**-**
Market value	**1,947.6**	**1,644.7**	**1,776.0**

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

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

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

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

3.1c) 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)	£192 - £367	£274
- rental properties	531.4	cash flows	Estimated future rent (%)	3% - 7%	3%
			Discount rate (yield) (%)	3.9% - 5.0%	4.1%
Prime provincial		Discounted	Net rental income (£ per week)	£142 - £171	£159
- rental properties	306.1	cash flows	Estimated future rent (%)	1% - 4%	3%
			Discount rate (yield) (%)	4.5% - 6.0%	5.0%
Major provincial		Discounted	Net rental income (£ per week)	£98 - £152	£137
- rental properties	409.6	cash flows	Estimated future rent (%)	2% - 6%	3%
			Discount rate (yield) (%)	4.8% - 6.1%	5.6%
Other provincial		Discounted	Net rental income (£ per week)	£107 - £181	£147
- rental properties	221.4	cash flows	Estimated future rent (%)	4% - 7%	4%
			Discount rate (yield) (%)	5.0% - 15.5%	6.1%
London		Discounted	Estimated cost to complete (£m)	£42.2m - £173.8m	£108.0m
- development properties	71.2	cash flows	Estimated future rent (%)	3%	3%
			Discount rate (yield) (%)	4.0%	4.0%
Prime provincial		Discounted	Estimated cost to complete (£m)	£3.5m - £76.9m	£33.5m
- development properties	159.4	cash flows	Estimated future rent (%)	3%	3%
			Discount rate (yield) (%)	4.4% - 5.4%	4.6%
Major provincial		Discounted	Estimated cost to complete (£m)	£4.7m - £49.5m	£34.1m
- development properties	137.8	cash flows	Estimated future rent (%)	3%	3%
			Discount rate (yield) (%)	5.2% - 5.6%	5.3%
	1,836.9				
		Discounted	Net rental income (£ per week)	£121 - £167	£141
Investment property (leased)	110.7	cash flows	Estimated future rent (%)	3%	3%
			Discount rate (yield) (%)	6.8%	6.8%
Fair value at 30 June 2019	**1,947.6**				

	Fair value £m	Valuation technique	Unobservable inputs	Range	Weighted average
London		Discounted	Net rental income (£ per week)	£184 - £355	£267
- rental properties	488.8	cash flows	Estimated future rent (%)	2% - 7%	3%
			Discount rate (yield) (%)	4.0% - 5.1%	4.3%
Prime provincial		Discounted	Net rental income (£ per week)	£138 - £165	£151
- rental properties	276.0	cash flows	Estimated future rent (%)	1% - 6%	4%
			Discount rate (yield) (%)	4.5% - 7.0%	5.3%
Major provincial		Discounted	Net rental income (£ per week)	£96 - £154	£127
- rental properties	305.4	cash flows	Estimated future rent (%)	1% - 5%	2%
			Discount rate (yield) (%)	5.5% - 6.1%	5.7%
Other provincial		Discounted	Net rental income (£ per week)	£100 - £174	£135
- rental properties	243.2	cash flows	Estimated future rent (%)	2% - 7%	4%
			Discount rate (yield) (%)	5.0% - 14.0%	5.9%
London		Discounted	Estimated cost to complete (£m)	£102.4m - £187.6m	£152.3m
development properties	-	cash flows	Estimated future rent (%)	3%	3%
			Discount rate (yield) (%)	4.3% - 4.6%	4.4%
Prime provincial		Discounted	Estimated cost to complete (£m)	£1.0m - £60.2m	£41.1m
- development properties	116.9	cash flows	Estimated future rent (%)	3%	3%
			Discount rate (yield) (%)	4.8% - 5.4%	5.1%
Major provincial		Discounted	Estimated cost to complete (£m)	£2.8m - £73.1m	£30.7m
- development properties	176.0	cash flows	Estimated future rent (%)	3%	3%
			Discount rate (yield) (%)	4.9% - 5.9%	5.5%
Other provincial		Discounted	Estimated cost to complete (£m)	£1.9m	£1.9m
- development properties	38.4	cash flows	Estimated future rent (%)	3%	3%
			Discount rate (yield) (%)	5.6%	5.6%
Fair value at 30 June 2018	**1,644.7**				

	Fair value £m	Valuation technique	Unobservable inputs	Range	Weighted average
London		Discounted	Net rental income (£ per week)	£184 – £355	£267
- rental properties	499.8	cash flows	Estimated future rent (%)	2% – 7%	3%
			Discount rate (yield) (%)	4.0% – 5.0%	4.2%
Prime provincial		Discounted	Net rental income (£ per week)	£139 – £166	£153
- rental properties	298.3	cash flows	Estimated future rent (%)	2% – 6%	3%
			Discount rate (yield) (%)	4.5% – 6.0%	5.1%
Major provincial		Discounted	Net rental income (£ per week)	£99 – £149	£135
- rental properties	409.4	cash flows	Estimated future rent (%)	1% – 5%	2%
			Discount rate (yield) (%)	4.8% – 6.1%	5.6%
Other provincial		Discounted	Net rental income (£ per week)	£100 – £174	£138
- rental properties	289.6	cash flows	Estimated future rent (%)	2% – 7%	4%
			Discount rate (yield) (%)	4.9% – 15.0%	5.8%
London		Discounted	Estimated cost to complete (£m)	£63.3m – £186.3m	£135.4
- development properties	49.1	cash flows	Estimated future rent (%)	3%	3%
			Discount rate (yield) (%)	4.3%	4.3%
Prime provincial		Discounted	Estimated cost to complete (£m)	£15m – £77.1m	£37.7m
- development properties	125.4	cash flows	Estimated future rent (%)	3%	3%
			Discount rate (yield) (%)	4.5% – 5.3%	4.8%
Major provincial		Discounted	Estimated cost to complete (£m)	£19.4m - £57.8m	£37.1m
- development properties	104.4	cash flows	Estimated future rent (%)	3%	3%
			Discount rate (yield) (%)	5.3% - 5.5%	5.4%
Fair value at 31 December 2018	**1,776.0**				

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

3.2 Inventories

	Unaudited 6 months to 30 June 2019 £m	Unaudited 6 months to 30 June 2018 £m	Year to 31 December 2018 £m
Interests in land	8.1	8.2	6.8
Other stocks	3.1	5.0	2.3
Inventories	**11.2**	**13.2**	**9.1**

3.3 Investments in joint ventures

The Group has two joint ventures:

Joint venture	Group's share of assets/results 2019 (December 2018)	Objective	Partner	Legal entity in which Group has interest
The UNITE UK Student Accommodation Fund (USAF)	26.9%* (26.9%)	Invest and operate student accommodation throughout the UK	Consortium of investors	UNITE Student Accommodation Fund, a Jersey Unit Trust
London Student Accommodation Venture (LSAV)	50% (50%)	Invest and operate student accommodation in London	GIC Real Estate Pte, Ltd Real estate investment vehicle of the Government of Singapore	LSAV Unit Trust, a Jersey Unit Trust, and LSAV (Holdings) Ltd, incorporated in Jersey

* 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 25.3% of USAF (30 June 2018: 24.8%, 31 December 2018: 25.3%).

3.3a) 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 £24.9 million during the 6 months ended 30 June 2019 (30 June 2018: £30.7 million, 30 December 2018: £26.2 million), resulting in an overall carrying value of £844.6 million (30 June 2018: £824.2 million, 30 December 2018: £819.7). The following table shows how the increase has been achieved.

	Unaudited 6 months to 30 June 2019 £m	Unaudited 6 months to 30 June 2018 £m	Year to 31 December 2018 £m
Recognised in the income statement:			
Operations segment result	21.2	20.7	34.1
Minority interest share of Operations segment result	0.7	0.7	1.1
Management fee adjustment relating to trading with joint venture	3.5	3.2	6.4
Net revaluation gains	23.3	28.8	58.1
Loss on disposal of properties	-	-	(3.5)
Other	(0.5)	(0.1)	(0.4)
	48.2	53.3	95.8
Recognised in equity:			
Movement in effective hedges	(0.5)	0.6	1.2
Other adjustments to the carrying value:			
Profit adjustment related to trading with joint venture	(3.5)	(3.2)	(6.4)
Additional capital invested in USAF	-	-	8.6
Performance fee units issued in USAF	-	4.0	4.0
Redemption of units in LSAV	-	-	(39.5)
USAF performance fee	-	-	-
Distributions received	(19.3)	(24.0)	(37.5)
Increase in carrying value	**24.9**	**30.7**	**26.2**
Carrying value brought forward	819.7	793.5	793.5
Carrying value carried forward	**844.6**	**824.2**	**819.7**

3.3b) 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. Revenue from these fees is recognised over time as the joint venture simultaneously receives and consumes benefits as the Group performs its management obligations.

In addition, the Group is entitled to performance fees from USAF and LSAV, if the joint ventures outperform certain benchmarks. The Group receives either cash or an enhanced equity interest in the Joint Ventures as consideration for the performance fee. The Group receives acquisition fees from its joint venture partners: this revenue is linked to the acquisition of land or property and is therefore recognised at the point in time that the control of the asset is transferred to the joint venture. The transaction price for this revenue stream is stipulated in the joint venture agreement as a percentage of the value of the acquisition.

The Group has recognised the following fees in its results for the period.

	Unaudited 6 months to 30 June 2019 £m	Unaudited 6 months to 30 June 2018 £m	Year to 31 December 2018 £m
USAF	7.5	7.3	13.5
LSAV	3.1	2.9	5.9
Asset and property management fees	**10.6**	**10.2**	**19.4**
USAF acquisition fee	0.3	-	-
Investment management fees	**0.3**	**-**	**-**
Total fees	**10.9**	**10.2**	**19.4**

Section 4: Funding

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

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

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

4.1 Borrowings

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

	Unaudited 6 month to 30 June 2019	Unaudited 6 month to 30 June 2018	Year to 31 December 2018
	£m	£m	£m
Current			
In one year or less, or on demand	86.2	1.3	1.3
Non-current			
In more than one year but not more than two years	1.4	223.7	85.6
In more than two years but not more than five years	229.1	110.9	110.3
In more than five years	271.6	124.0	395.4
	502.1	458.6	591.3
Total borrowings	**588.3**	**459.9**	**592.6**

The carrying value of borrowings is considered to be approximate to fair value, except for the Group's fixed rate loans as analysed below:

	Unaudited 6 months to 30 June 2019		Unaudited 6 months to 30 June 2018		Year to 31 December 2018	
	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m
Level 1 IFRS fair value hierarchy	365.0	382.2	90.0	95.5	365.0	373.5
Level 2 IFRS fair value hierarchy	232.5	246.9	238.5	258.3	237.8	251.2
Other loans	(9.2)	(9.2)	131.4	131.4	(10.2)	(10.2)
Total borrowings	**588.3**	**619.9**	**459.9**	**485.2**	**592.6**	**614.5**

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 2019 £m	Unaudited 6 months to 30 June 2018 £m	Year to 31 December 2018 £m
Current	–	–	–
Non-current	6.9	1.4	0.1
Fair value of interest rate swaps	**6.9**	**1.4**	**0.1**

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.

4.3 Dividends

During the 6 months to 30 June 2019, the Company declared and paid a final dividend of £47.6 million, 19.5p per share (30 June 2018: £38.2 million, 15.4p per share).

Under the terms of the Company's scrip dividend scheme, shareholders were able to elect to receive ordinary shares in place of the 2018 final dividend of 19.5p per ordinary share. This resulted in the issue of 403,390 new fully paid shares.

After the period end, the Directors proposed an interim dividend of 10.25p per share (30 June 2018: 9.5p per share). No provision has been made in relation to this dividend.

4.4 Contingent liabilities

At 30 June 2019 the Group had £18.9m, including VAT of contingent liabilities relating to professional fees associated with the proposed acquisition of Liberty Living Group plc (31 December 2018: £nil). These acquisition fees are conditional on completion of the transaction, which at the balance sheet date was still subject to CMA and shareholder approval, and have therefore not been included in the results reported for the period.

5. Post balance sheet events

On 3 July 2019, the Group announced that it had agreed to acquire Liberty Living Group plc from Liberty Living Holdings Inc. The acquisition has been priced on a NAV-for-NAV basis (subject to certain adjustments) for a total consideration of £1.4 billion. The consideration is comprised of a combination of cash and shares that will result in Liberty Living Holdings Inc. receiving a stake of 20% in the enlarged group on completion. Completion of the acquisition is conditional upon shareholder approval and CMA clearance and is anticipated to occur by the end of Q3 2019.

On 3 July 2019, the Group announced completion of a share placing. A total of 26,353,664 new ordinary shares in the Company were submitted for admission to trading on the London Stock Exchange's main market for listed securities on 5 July 2019, representing approximately 9.98% of the issued ordinary share capital of the Company prior to the Placing.

INDEPENDENT REVIEW REPORT TO THE UNITE GROUP PLC

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 2019 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 related notes 1 to 5. 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 Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. 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 Guidance 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 Financial Reporting Council 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 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 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Statutory Auditor
London, United Kingdom

23 July 2019

Glossary

Basis points (BPS)
A basis point is a term used to describe a small percentage, usually in the context of change, and equates to 0.01%.

Direct let
Properties where short-hold tenancy agreements are made directly between Unite and the student.

EBITDA
The Group's EPRA earnings before charging interest, tax, depreciation and amortisation. The profit number is used to calculate the ratio to net debt.

EPRA earnings
EPRA earnings are prepared on the basis recommended for real estate companies by EPRA, the European Public Real Estate Association. This excludes movements relating to changes in values of investment properties and interest rate swaps and the related tax effects.

EPRA earnings per share
The earnings per share based on EPRA earnings.

EPRA NAV
EPRA NAV is prepared on the basis recommended for real estate companies by EPRA, the European Public Real Estate Association. This includes all property at market value but excludes the mark to market of interest rate swaps. This is recommended by EPRA as a measure of net assets.

EPRA net asset value per share
The diluted NAV per share figure based on EPRA NAV.

EPRA NNNAV
As EPRA NAV but includes both debt and interest rate swaps carried at market value. This is recommended by EPRA as a 'spot' fair value net asset measure.

Gross asset value
The Group's wholly owned and leased property portfolio together with the Group's share of the property portfolio owned by Joint Ventures.

Interest cover ratio (ICR)
The interest cover ratio is the income generated by a property as a multiple of the interest charge on the debt secured on the property.

Loan to value (LTV)
The Loan to value (LTV) ratio is the net debt on properties as a proportion of the carrying value of the total property portfolio, excluding investment properties (leased).

Loan to value (LTV) post IFRS 16
The Loan to value (LTV) ratio is the net debt on properties as a proportion of the carrying value of the total property portfolio. This ratio is calculated on the basis of EPRA net assets.

LSAV
The London Student Accommodation Joint Venture (LSAV) is a joint venture between Unite and GIC. Both Unite and GIC have a 50% stake and LSAV has a maturity date of September 2022.

Net debt
Group debt, net of cash and unamortised debt issue costs, excluding IFRS 16 lease liabilities for all leased properties.

Net debt: EBITDA
Group debt, net of cash and unamortised debt issue costs, excluding lease liabilities for all leased properties and mark to market of interest rate swaps as a proportion of EBITDA.

Net financing costs (EPRA)
Gross financing costs net of interest capitalised into developments and interest received on deposits.

Net initial yield (NIY or yield)
The net operating income generated by a property expressed as a percentage of its value, taking into account notional acquisition costs.

Net operating income (NOI)
The rental income from rental properties (owned and leased) less those operating costs directly related to the property, therefore excluding central overheads.

Nominations
Properties where Universities have entered into a contract to guarantee occupancy. The Universities nominate students to live in the building and Unite enters into short-hold tenancies with the students.

Rental properties
Investment and completed properties whose construction has been completed and are used by the Operations segment to generate net portfolio contribution.

Rental properties (leased) / Sale and leaseback
Properties that have been sold to a third party investor then leased back to the Group. Unite is also responsible for the management of these assets on behalf of the owner.

Total accounting return
This is the growth in EPRA NAV per share plus dividends paid, and this is expressed as a percentage of EPRA NAV per share at the beginning of the period.

USAF/the fund
The Unite UK Student Accommodation Fund (USAF) is Europe's largest fund that purely focuses on completed income providing student accommodation investment assets.

The fund is an open- ended infinite life vehicle which has unique access to Unite's development pipeline. Unite acts as fund manager for the fund, as well as owning a significant minority stake.

Company information

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