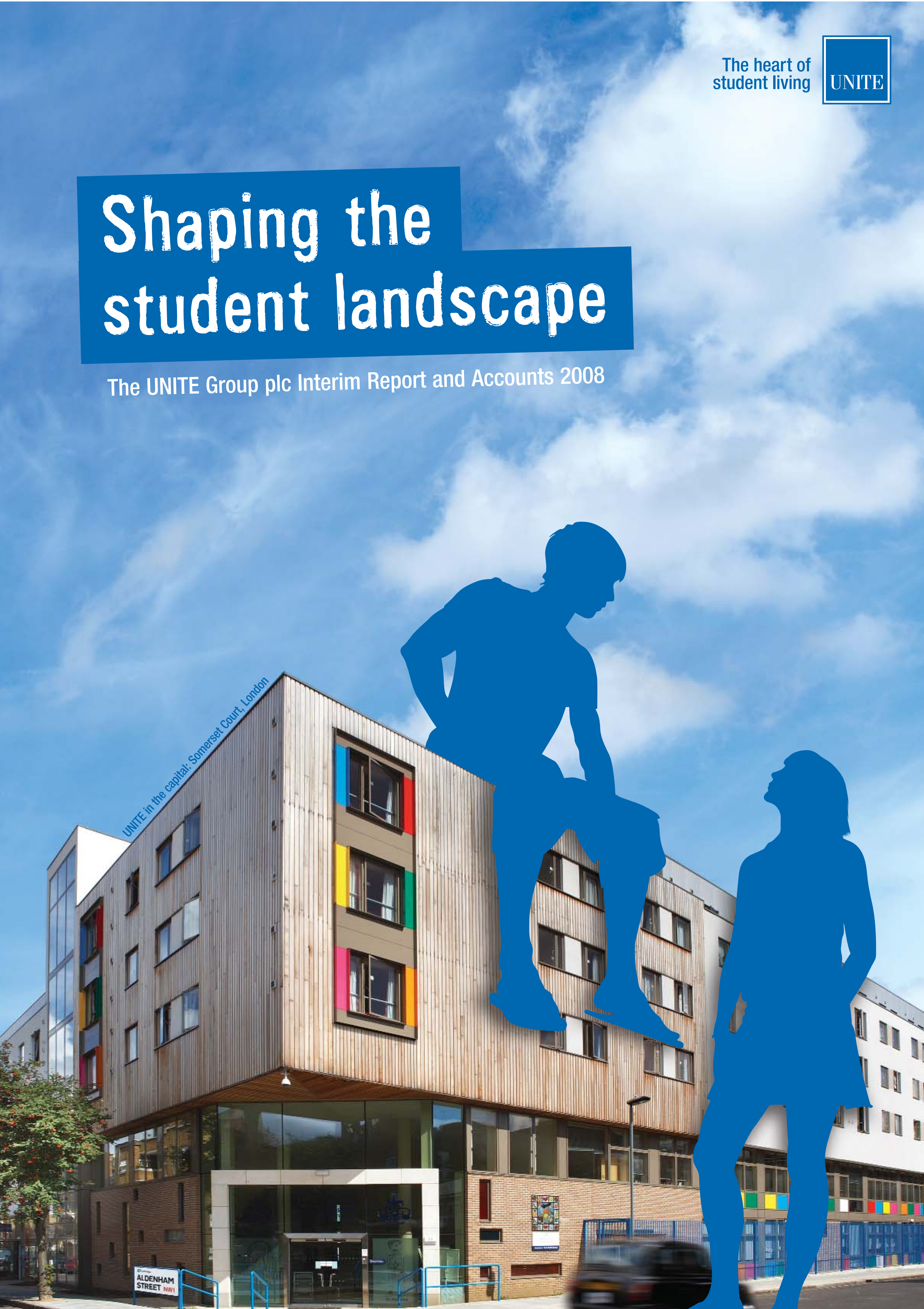
The heart of student living
UNITE

Shaping the student landscape

The UNITE Group plc Interim Report and Accounts 2008



UNITE in the capital: Somerset Court, London

Contents

Resilient NAV performance backed by strong sales and market growth

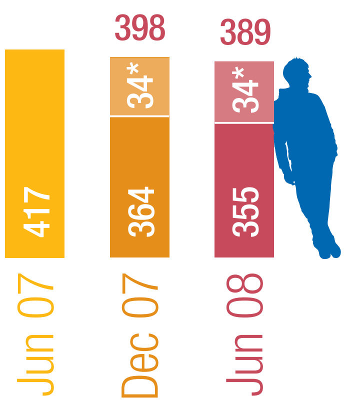
Financial Highlights:

- Adjusted net asset value fell by 2.3% to £498 million (31 December 2007: £510 million). Adjusted diluted net asset value per share fell by 2.9% to 398 pence (31 December 2007: 410 pence). Basic net asset value was 355 pence per share (31 December 2007: 364 pence).
- Loss before tax of £12.8 million (30 June 2007: profit of £25.8 million); on an adjusted basis the loss for the six months was £12.2 million (2007: profit of £0.4 million), primarily due to revaluation movements on the Group's investment property reflecting broader property market conditions and a provision against the value of land currently awaiting planning permission for the development of student accommodation.
- Strong performance by USAF, generating a total return of 5.6% in the six months to June 2008, making it the top performing fund in the IPD Pooled Property Fund Index and the only one to generate a positive return during that period.
- The USAF fund raising process remains open until 3 October 2008. Applications for capital amounting to £85 million have been received of which £42 million is unconditionally committed. The unconditional commitments, together with proceeds from asset sales and maintaining gearing at June levels, provide a minimum of £180 million headroom within the Fund.
- Dividend maintained at 0.83 pence per share (2007: 0.83 pence).

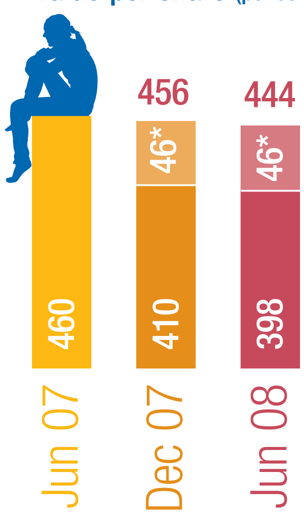
Operational Highlights:

- Reservations for the forthcoming academic year stand at 95% of available rooms as at 27 August, well in excess of the total 92% achieved for the 2007/08 academic year.
- Increasing national student numbers and ongoing undersupply of purpose-built accommodation provide strong market growth fundamentals.
- Room sales delivering like-for-like rental growth of 9.0% in the direct let portfolio, with 5.0% of core rental growth, which will be reflected in asset valuations; approximately 2.5% of rental growth booked in asset valuations in the six months to June 2008, largely offsetting the adverse movements in valuation yields.
- Successful programme of non-core asset disposals totalling £241.5 million on behalf of both UNITE and USAF and secured at prices 0.1% above December 2007 valuations. Proceeds to be used to reduce gearing and increase the Group's financing capacity.
- Full review of secured development programme undertaken, with resulting scaling back of development commitments where appropriate.
- Full scale operational change programme initiated in January 2008 to improve the Group's operating efficiency and margin, with an annualised savings target of £10 million to be realised through 2009.
- Seven planning consents obtained during the period on projects totalling 1,755 beds, with a further three consents won since 30 June for projects totalling 933 beds.

Net asset value per share
(pence per share)



Adjusted diluted net asset value per share (pence per share)



Managed portfolio value

* One-off impact of UNITE Finance One bond redemption

Business Review

Against a challenging economic backdrop, UNITE has delivered a resilient performance, based primarily on its expertise and market-leading position in a specialist sector that is delivering consistent, strong rental growth at a level very few other property asset classes can currently match.

Overview and outlook

As widely publicised, 2008 has seen extremely challenging conditions in the UK property market, continuing the deteriorating trend that commenced in summer 2007. We expect this trend to extend well into 2009. Whilst the initial downturn was triggered by the dramatic contraction in credit markets in late 2007, this year has seen the impact spread to the wider economy and substantially all segments of the property sector have been affected as a result.

Against this backdrop UNITE, the UK's largest manager of branded student accommodation, has delivered a resilient performance, with adjusted NAV per share falling 2.9% over the six months to 398 pence. This resilience is based primarily on the Group's expertise and market leading position in a sector that is delivering consistent, strong rental growth at a level very few other asset classes can match:

- As at 27 August 2008, reservations across the Group's operating portfolio for the forthcoming 2008/09 academic year stood at 95% of available rooms, compared to 75% at the comparable date a year earlier. With three busy selling weeks still remaining, we are already well in excess of the 92% occupancy achieved for the 2007/08 academic year.
- These sales have been achieved at a level, which delivers like-for-like rental growth of 9.0% in our direct let portfolio, of which 5.0% is core rental growth that will be reflected in asset valuations. Approximately 2.5% of rental growth has been booked in asset valuations in the six months to 30 June 2008, largely offsetting the adverse movements in valuation yields during the period.
- New applicants for the 2008/09 academic year had increased by 9.4% over 2007/08 as at 20 August 2008 (UCAS).

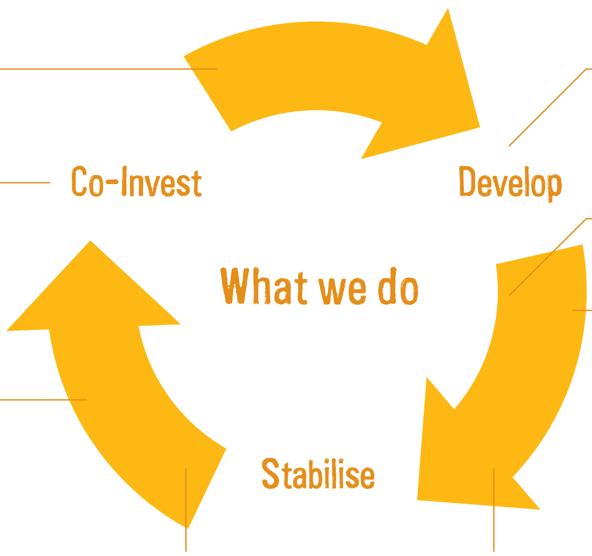
Notwithstanding the delivery of this strong operating performance, UNITE has also taken steps to maximise its financial stability and strength during the current uncertain economic environment to ensure that it is well positioned to take advantage of opportunities when they arise:

- The Group has embarked successfully on a programme of non-core asset disposals, as indicated in September 2007, which will reduce gearing and increase financing capacity. In the six months to June 2008, UNITE sold £54.9 million of assets and since the period end has sold a further £99.1 million of assets itself, as well as a further £87.5 million on behalf of the UNITE UK Student Accommodation Fund ("USAF" or the "Fund"). These sales, totalling £241.3 million, represent 14% of UNITE's total operational portfolio at the start of the year and have been secured at an average of 0.1% above December 2007 valuations.

Investing in our pipeline
Equity raised from asset sales into the UNITE UK Student Accommodation Fund enables UNITE to deepen its forward pipeline of development.

UNITE UK Student Accommodation Fund
The Fund is in a unique position to acquire properties from the UNITE portfolio. UNITE maintains full operational management of these assets. UNITE also has other joint venture relationships.

Management
UNITE Group operates over 36,000 student beds across the UK, of which over 15,000 are owned by the UNITE UK Student Accommodation Fund.



Acquiring the best sites
UNITE has dedicated regional acquisition teams focused on finding the right sites, based on careful research.

Planning
We work closely with local councils and successfully secured 7 planning consents by 30 June 2008.

Project management and off-site modular production
UNITE produces bedroom, bathroom and other modular components at its Gloucestershire production facility. Building student accommodation using modular components controls quality, reduces waste and increases the speed of the build programme.

Stabilising new assets
We let and manage recently completed properties which are not yet generating their optimal net income.

Sales, marketing, mobilising new properties, opening
Dedicated Sales & Marketing Teams drive occupancy in all properties through online and offline channels. UNITE launched its unique online booking system in 2007 at: www.unite-students.com, where customers can arrange a show flat viewing, take a virtual tour and book a room online.

- We have undertaken a full review of our secured development programme in light of market conditions and, where appropriate, have scaled back or deferred certain development commitments to preserve cash and financing capacity in anticipation of attractive development opportunities arising as market conditions evolve.
- In January 2008, we initiated a full-scale operational change programme designed to dramatically improve the Group's operating efficiency and margin. This programme initially focused, very successfully, on sales capability and has since shifted towards securing sustainable cost benefits, with an annualised savings target of £10 million to be realised through 2009. These savings, when realised, will help offset inflationary pressures elsewhere, particularly in the Group's energy costs.

The Group's innovative business model continues to be an important element of its strategy. Following the successful establishment of USAF in December 2006, and sales of assets to it at that time and throughout 2007, the Group has now substantially completed its transition to a development and co-investing asset management model. This model is designed to deliver enhanced returns on capital over the long term by allowing the Group to focus its capital investment into higher value-add activities, such as development, whilst also retaining a significant minority stake in the long-term investment performance of the Group's operational portfolio:

- Since its inception, USAF has performed strongly for its investors. Its total return of 5.6% in the six months to June 2008 made it the top performing fund in the IPD Pooled Property Fund Index and the only fund in the Index to achieve a positive return during that period.
- The process of raising further third party equity capital into USAF will continue until 3 October 2008, at which time the book will be closed. We indicated in May that applications to subscribe had been received for £77 million of third party equity. Applications now stand at £85 million, within which unconditional commitments total £42 million, and discussions with further prospective investors continue. The Group remains focused on its initial target to raise £125 million of third party equity, although current market conditions make it difficult to predict whether this will be achieved in full. Taking into account the ongoing fundraising, investment capacity in the Fund ranges from £180 million (if unconditional commitments do not increase beyond £42 million and leverage is kept at its 30 June level of 47% loan-to-value) to £450 million if existing applications convert to unconditional commitments and leverage is restored to the Fund's target level of 55% loan-to-value. This would increase further in the event that Fund commitments exceed the existing £85 million of applications. All cash received by the Group as a result of asset sales to USAF, after the repayment of associated debt, becomes available to invest in development activities beyond the secured pipeline.

Outlook

The current difficulties in the UK economy are likely to persist well into 2009 and, as a result, our priority will continue to be on managing the Group's roll-out plan prudently, conserving cash and borrowing capacity appropriately and maintaining our focus on London and other high quality student locations in terms of development activity.

There are clear signs of increased activity in the development market place and clear evidence that land prices have fallen. We expect these values to fall further and believe that the dislocation between falling development site values (driven by the broader property market) and robust student accommodation investment values (underpinned by sector fundamentals) will present increasingly attractive opportunities for the Group later in 2008 and throughout 2009.

It is important that we do not lose sight of the robust rental growth prospects of the student accommodation sector, underpinned by continued growth in student numbers and a shortage of good quality, well located supply. The fundamentals of the student accommodation sector, and the UNITE business model, remain sound and should leave us well placed to maintain relative NAV out performance in the coming years.

Financial results

Balance sheet

Reported net asset value was £441.0 million (355 pence per share) at 30 June 2008. On an adjusted fully diluted basis, net asset value per share fell by 2.9% in the six months to 398 pence (December 2007: 410 pence), reflecting the challenging property market conditions and UNITE's strong performance relative to the broader property sector. The key elements of this movement, which are explained later in this statement, were as follows:

Adjusted NAV growth

	£m	pps*
Adjusted NAV at 31 December 2007	510	410
Investment portfolio		
- Rental growth	26	20
- Yield movement	(34)	(27)
Development surpluses	16	12
Land write downs	(8)	(6)
Adjusted loss before one-off items	(4)	(3)
Swap costs, dividends, asset sales and dilution	(8)	(8)
Adjusted NAV at 30 June 2008	498	398

* Diluted

As expected, the Group's gearing (net debt as a percentage of equity) increased in the six months, mainly because capital expenditure in the Group's development programme exceeded proceeds from asset disposals. At 30 June 2008, adjusted gearing stood at 126% compared to 106% at 31 December 2007. However, if one adjusts for the impact of asset disposals completed since the period end, gearing would reduce to 106%, in line with the opening position and is likely to fall further in the second half as stabilised assets are sold to USAF. This anticipated reduction in gearing, coupled with robust investment values, will leave the Group well placed to capitalise on the attractive development opportunities that we expect to arise.

Business Review

Income statement

In the six months to 30 June 2008 the Group reported a loss of £12.8 million, compared to a profit of £25.8 million for the six months to 30 June 2007. On an adjusted basis (consistent with the guidelines laid down by The European Public Real Estate Association) the loss for the six months was £12.2 million (2007: profit of £0.4 million).

The movement in adjusted profit year on year is explained primarily by two items:

- The Group has made a provision of £8.5 million against the value of undeveloped land. This primarily relates to sites that did not have planning consent for development as student accommodation at the period end and whose existing use value has been impaired by the wider fall in general property values. This is explained more fully in the Development Activities section of this statement.
- In the six months to 30 June 2007, the Group accrued a fee of £3.4 million relating to the performance of USAF. The Fund's performance in 2008, whilst very strong on a sector relative basis, has not reached a level where further performance fees have accrued.

In addition to these items, the following contribute to the movement in reported profits for the period:

- As reported elsewhere, the Group has been actively selling non-core properties throughout 2008. In the first six months of 2008, £54.9 million of assets were sold resulting in a loss on disposal of £5.8 million (2007: profit of £1.2 million), although since the period end further sales have been achieved at a £0.4 million profit on disposal.
- Revaluation movements on the Group's investment property, including its share of joint ventures, have fallen from an unrealised gain of £22.8 million for the six months to June 2007 to an unrealised loss of £8.6 million in the first half of 2008, a negative swing of £31.4 million. This movement reflects the deteriorating broader property markets.
- Changes in the fair value of the Group's interest rate swaps, treated as ineffective hedges, resulted in an unrealised gain of £15.2 million for the period (2007: £2.9 million).

As noted at the time of our preliminary announcement in March, the Group's income statement has changed significantly during 2008, reflecting its shift to the developer and co-investing asset manager business model, which is focused on delivering higher long term equity returns. The principal feature of this model is the sale of revenue generating stabilised assets, primarily to USAF, and the reinvestment of proceeds into non-revenue generating development activity. This is reflected in the income statement for the six months to June 2008 as follows:

- Following the sales of stabilised assets to USAF during 2007, a greater proportion of the Group's wholly owned portfolio is now stabilising than was the case in 2007, with a consequent reduction in margin and profit on that portfolio. Profit from the wholly owned investment portfolio has fallen from £3.8 million in 2007 to £2.3 million in 2008.
- As USAF has grown through the acquisition of further stabilised assets from UNITE, the Group has not significantly increased its co-investment. As a result, its share of the profit on stabilised assets has been diluted. The Group's income return from USAF is broadly flat in the first six months of 2008 at £2.7 million (2007: £2.8 million).

More detail on the Group's operational performance is provided in the Segmental Analysis within note 3 to the interim statement.

Dividend

The Board advises that the interim dividend is maintained at 0.83 pence per share (2007: 0.83 pence). The dividend is payable on 19 November 2008 to shareholders on the register on 17 October 2008.

The UK student accommodation market

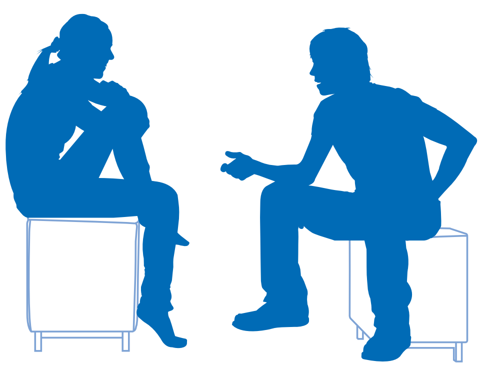
The number of students studying in UK Higher Education continues to grow steadily. In 2007/08 there were 2.33 million students studying in the UK (source: Higher Education Statistics Agency) and, in August, the organisation that manages university applications, UCAS, reported a strong increase in the total number of student applicants for the 2008/09 academic year (up 9.4%). As at 20 August, 375,000 new students had had their university places confirmed, a rise of 8.4% on the same point last year. If this pattern continues for the rest of the clearing period then it would translate to over 448,000 students starting Higher Education courses this autumn, an increase of some 35,000 students over 2007/08 and a continuation of the consistent year on year growth trend.

Within this total population there are 1.43 million full time students, of whom 18%, or 257,000, are from outside the UK. The number of overseas applicants is also up this year, by 5.9% compared to the same point in 2007.

The supply of good quality, well-located student accommodation continues to lag demand significantly. Across the UK, there is only sufficient purpose built accommodation to house two of every three first years or overseas students. This ratio is an important indicator of latent demand as all Universities seek to provide accommodation for these students. In London, the ratio is even more striking as there is only one purpose built bed space for every two students from these groups.

The professional landlord segment of the market remains the only notable source of new accommodation provision, accounting for approximately 8,000 new bed spaces each year. Universities tend to focus their efforts on updating existing accommodation rather than supplying new bed spaces and the broader UK housing market continues to suffer from structural undersupply, particularly in the shared housing that tends to prove more popular with students.

With growing demand and structural constraints to new supply, the compelling supply and demand imbalance that underpins the sector's attractiveness, looks set to continue for the foreseeable future.



Operating and investment portfolio

For the 2008/09 academic year, taking into account new project deliveries and asset sales, UNITE will be operating 36,274 bed spaces across 23 cities, of which over 50% are concentrated in our six largest markets as follows:

City	UNITE Market Share	UNITE Completed Beds (2008/09)	FT Student Numbers (2006/07) (HESA)	3Yr Growth in FT Student Numbers to 2006/07
London	1.8%	3,929	220,909	5.8%
Sheffield	9.1%	3,729	41,052	2.7%
Liverpool	9.0%	3,371	37,387	3.6%
Bristol	9.6%	3,304	34,327	5.1%
Manchester	4.8%	2,790	57,660	4.9%
Leeds	5.5%	2,604	47,684	0.3%

The Group's ownership stake in these assets varies from purely the management of sale and leaseback assets, where the Group effectively has no residual interest, to full ownership, dependent upon the type of asset and its phase of operation. Assets in which the Group has a minority stake are as follows:

- Stabilised direct let assets, other than those in London and Edinburgh, are typically held in USAF. At 30 June 2008 UNITE had a 20% stake in USAF.
- The majority of stabilised direct let assets in London and Edinburgh are held in the UNITE Capital Cities joint venture ("UCC") with GIC RE. This joint venture is fully invested and in future UNITE will be developing wholly owned assets in these cities. At 30 June 2008 UNITE had a 30% stake in UCC.
- One asset remains in the UNITE Student Village joint venture with Lehman Brothers ("USV") where UNITE has a 51% interest. Subject to satisfactory operational performance, this asset is likely to be sold to USAF later in 2008.

Investment assets held wholly on the Group's balance sheet fall into three principal categories:

- Stabilising assets; these are properties that have recently been completed and are not yet generating their optimal net operating income due to the impact of lower initial occupancy and asset mobilisation costs which, combined, tend to reduce net operating income by approximately 30% compared to a stabilised asset. Once these assets stabilise, our intention is to sell them to USAF, subject to it having sufficient investment capacity. Taking into account strong operational performance across the portfolio, we expect between £200 million and £250 million of wholly owned stabilising assets to be eligible for sale to USAF later in 2008.
- Assets with redevelopment or active asset management potential.
- Non-core legacy assets; these are properties which do not fit with the Group's long-term investment strategy, either because of their location or because they are let to universities under long term agreements and deliver lower returns. Since commencing a disposal programme across these assets, the Group has completed sales totalling £175 million from its balance sheet. This disposal programme will continue throughout 2008 and into 2009 as the Group completes its business model transition. The table overleaf analyses the portfolio at 30 June 2008, together with the impact of subsequent asset sales and openings:

Business Review

	USAF*	UCC*	USV*	Owned stabilising	Other	Leased	Total
London							
Value	-	£201m	-	-	£91m	-	**£292m**
Beds	-	1,809	-	-	968	260	**3,037**
Major Provincial							
Value	£592m	-	£63m	£116m	£111m	-	**£882m**
Beds	11,727	-	1,383	2,413	2,724	1,644	**19,891**
Other Provincial							
Value	£241m	-	-	£187m	£50m	-	**£478m**
Beds	6,040	-	-	4,211	1,564	1,785	**13,600**
Varsity							
Value	-	£38m	-	-	£10m	-	**£48m**
Beds	-	394	-	-	218	316	**928**
Total at 30 June*							
Value	£833m	£239m	£63m	£303m	£262m	-	**£1,700m**
Beds	17,767	2,203	1,383	6,624	5,474	4,005	**37,456**
Sales post 30 June							
Value	£(85)m	-	-	£(89)m	£(8)m	-	**£(182)m**
Beds	(2,467)	-	-	(1,970)	(195)	-	**(4,632)**
08 openings							
Value	-	£179m	-	£214m	-	-	**£393m**
Beds	-	667	-	2,783	-	-	**3,450**
Total at 27 August							
Value	**£748m**	**£418m**	**£63m**	**£428m**	**£254m**	**-**	**£1,911m**
Beds	**15,300**	**2,870**	**1,383**	**7,437**	**5,279**	**4,005**	**36,274**
UNITE investment	**20%**	**30%**	**51%**	**100%**	**100%**	**100%**	**-**

* The value represents the gross value (as opposed to UNITE's share).

Reservations performance and rental growth

Sales performance for the 2008/09 academic year is extremely strong across the portfolio. As at 27 August 2008, reservations had been received for 95% of bed spaces compared to 75% at the same time last year and final occupancy of 92% for the 2007/08 academic year. This sales performance underpins strong rental growth, with like-for-like sales on the direct let portfolio (excluding leased properties) up 9.0% and core rental growth, which strips out the impact of stabilisation, forecast to increase by approximately 5.0% over the previous academic year (see table opposite):

As reported in our March preliminary announcement, much of this strong performance is attributable to enhanced operational capabilities and the use of sophisticated research in setting rents. These factors, coupled with the continued rise in student numbers, present a positive outlook for rental growth in future years.

	Beds	% Reserved 08/09 year*	% Reserved 07/08 year*	Like for like rental growth
Joint venture				
USAF	15,300	95%	73%	8.3%
UCC	2,870	100%	87%	9.6%
USV	1,383	85%	37%	7.0%
	19,553	96%	72%	8.6%
Wholly owned				
Stabilising	7,437	91%	74%	8.7%
Other	5,279	88%	85%	10.4%
	12,716	90%	81%	10.0%
Leased	4,005	100%	94%	4.5%
Total	**36,274**	**95%**	**75%**	**8.6%**

* Reservations data for 2008/09 as at 27 August 2008, 2007/08 as at 23 August 2007.

Operating costs and overhead

Over recent years, the Group's operating costs and overheads have grown at a faster rate than revenues, principally reflecting an inadequate infrastructure to cope with nationwide growth and a failure to deliver sustainable economies of scale. The financial impact of this has been emphasised more recently with the establishment of our developer and co-investing asset manager business model, which distinguishes more effectively between the economics of asset ownership and asset management.

The Group began to address this in 2007 with the successful launch of its on-line accommodation management system, which has been further supported through the creation of a national sales framework. The results of this investment are clearly evident in the strong sales performance for academic year 2008/09, reported in this statement.

Since January 2008, we have extended the reach of this programme to encompass a more comprehensive process re-engineering and organisational change exercise – to define and deliver our operational 'Blueprint'. As this programme is implemented we expect to secure substantial efficiencies as a result of the professionalisation, standardisation and automation of core operating processes.

This work is well progressed and we are confident of realising cost savings of £10 million during 2009, of which approximately £3.5 million will reduce overhead (by circa 17%) and the remainder reduce on-site operating costs (by circa 12%). These savings will fall in three principal areas:

- Integrated procurement;
- Reduced headcount, both on-site and centrally, as a result of improved standardisation and automation;
- Improved estate maintenance through systems investment and partnering.

These savings will help offset inflationary pressures in other operating cost items, most notably energy costs, which currently show a year-on-year increase of approximately 40% for 2008/09, equivalent to £150 per bed space and which will be substantially reflected in our customer offer for 2009/10.

People

Unlike most property companies UNITE has a significant operational business and, even with systems investment and process redesign, the business' value is fundamentally tied to the quality of service its employees provide to the Group's customers.

During 2008 our 'Blueprint' business change programme has provided us with an opportunity to refine our core people processes and provide a more structured approach to learning and development. This is best signified with the opening of our national training academy in Birmingham, which is supported by a range of multi-media training tools, around which the Group's core service standards will be developed and trained.

Periods of change are always testing times for employees of an organisation and, with important asset disposals in a number of cities and a large scale operational business change programme well under way, UNITE is certainly undergoing change. It is testament to the commitment and professionalism of our people that the business has been able to perform strongly through this period.

Investment portfolio valuation

The Group's investment portfolio, including those assets held in co-investment vehicles, has been independently valued at 30 June 2008 by Messrs CBRE and King Sturge. As expected, we have seen yield expansion across most of the portfolio offset by strong rental growth in our direct let assets. Performance has been weakest in properties subject to long-term agreements and strongest in high quality direct let assets (see table below):

Demand for good quality, well-located investment assets remains robust and transactions over the course of the six months provide meaningful valuation evidence across all major segments of the portfolio. Taking this evidence into account, we believe that yield expansion in student accommodation investments will continue to be less pronounced than across the broader property market, with rental growth prospects providing an effective buffer. Assets subject to long-term agreements, of which the Group had approximately £150 million at 30 June 2008, are likely to remain the most susceptible to valuation falls with London properties remaining most resilient.

	Dec 2007 £m	Sales and completions £m	Yield shift £m	Rental growth £m	June 2008 £m	Typical stabilised yield %
Leased/nominations assets	297	(58)	(12)	8	235	5.8%
Direct let assets*						
London	50	-	-	3	53	5.3%
Major provincial	301	-	(7)	5	299	6.0%
Other provincial	195	41	(11)	6	231	6.2%
Varsity cities	21	-	(4)	4	21	5.4%
Total	864	(17)	(34)	26	839	6.0%

* Includes UNITE's share of JVs

Asset disposals

During 2008 the Group has been actively selling non-core assets in line with its stated strategy to focus capital investment in cities where it considers growth prospects to be most attractive. These sales have been conducted both on UNITE's own behalf and on behalf of USAF as follows:

	Valuation at Dec '07 £m	Valuation at Jun '08 £m	Gross proceeds £m	Profit (loss) on disposal* £m
Six months to June 2008				
Sale and leaseback transactions	51.0	n/a	47.5	(4.4)
Other non-core asset sales	7.7	n/a	7.4	(1.4)
Total in period to June 2008	58.7	n/a	54.9	(5.8)
Since June 2008				
Direct let assets in non-core cities				
- UNITE	97.2	97.5	99.1	0.4
- USAF	85.3	84.8	87.5	1.7
Total 2008 year-to-date				
- UNITE	155.9	n/a	154.0	(5.4)
- USAF	85.3	n/a	87.5	1.7
Total	**241.2**	**n/a**	**241.5**	**(3.7)**

* Profit/loss on disposal is after all sale costs.

Development activities

UNITE remains an active developer of student accommodation. During the six months to 30 June the Group, including where appropriate its joint venture partners, invested a total of £119 million of capital expenditure into its development pipeline as follows:

Development expenditure

	Gross £m	UNITE's share £m
2008 completions		
- UNITE	40	40
- Joint ventures	21	7
2009 completions		
- UNITE	41	41
2010 and later completions		
- UNITE	17	17
Total	119	105

In light of current general market conditions, and as outlined in our preliminary statement in March, the Group has pursued a prudent approach in managing its ongoing development commitments, intended to leave the Group well placed to pursue land buying opportunities later in 2008 and throughout 2009, as the full impact of falls in land prices takes effect.

Since December 2007, UNITE has secured two new development projects – a 603 bed development in Reading, conditional upon obtaining planning consent, and a 580 bed development in London which has the benefit of a detailed planning consent. Both projects are scheduled for delivery in 2010. Separately, the Group has delayed commencement of developments totalling 962 beds previously scheduled for 2009 opening and cancelled its commitment to certain other development projects, totalling 1,098 beds. This includes the sale of land previously held for development for £8 million, in line with book value.

Secured future developments

	31 Dec 07 Beds	Deferred Beds	Secured Beds	Strategic review & scheme revisions	27 Aug 08 Beds	Completed value £m
2008 completions						
UNITE	3,178	-	-	24	3,202	238
JV	729	(64)	-	-	665	179
	3,907	(64)	-	24	3,867	417
2009 completions						
UNITE	3,931	(962)	-	(366)	2,603	295
JV	-	64	-	-	64	6
	3,931	(898)	-	(366)	2,667	301
2010 plus						
UNITE	2,326	962	1,183	(756)	3,715	523
Total beds	10,164	-	1,183	(1,098)	10,249	1,241

The Group's acquisition and development strategy remains to focus on developing high quality assets in strong locations, with a particular focus on London and 'varsity' cities (such as Oxford, Cambridge and Bath). The common characteristics of these markets are strong and growing student populations, little or no professional competition, tight land supply and a difficult planning environment. At 27 August 2008, 64% of the Group's development portfolio (by completed value) was in London, with a further 19% in varsity cities.

Following the establishment of USAF, and in accordance with IFRS, certain of the Group's development assets are now classified as current assets and are held at cost, whilst certain others continue to be held at open market value. However, in recognising the full value of the Group's development pipeline, we consider it appropriate that all development properties, regardless of accounting classification, are independently valued. A full valuation of the Group's development portfolio has been carried out as at 30 June 2008 and is summarised below:

Development portfolio valuation

	30 June 2008 £m	31 Dec 2007 £m
Investment property under development	87	102
Property under development	234	122
Share of joint ventures investment property under development	44	36
Total	365	260
Valuation gain not recognised on property held at cost	55	39
Value at end of period	420	299

In total, the Group has recognised £16 million of revaluation gains on developments in the calculation of its adjusted net asset value.

In addition to the above portfolio, the Group had £42 million of land held for development at 30 June 2008, which is carried at the lower of cost and net realisable value. This land is likely to be developed within the next three years but did not have the requisite planning consent at the valuation date. As a result of the deteriorating existing use values for this land, the Group has made a provision of £6 million against its carrying value at 30 June 2008, which forms the majority of the £8.5 million total provision booked in the period. Since the period end, the Group has successfully secured planning consents on land with a carrying value of £33 million at 30 June 2008, such that the Group's exposure in this area has been reduced to £9 million.

Securing valuable planning consents remains a key strength for the Group. During the six months to June 2008, UNITE successfully secured seven planning consents on projects totalling 1,755 beds. Since 30 June a further three consents have been obtained on projects totalling 933 beds.

The outlook for development margins on our secured development pipeline is, of course, more challenging than it has been historically and we are actively managing our exposure in this area, as evidenced by the deferral or cancellation of certain commitments. However, the outlook for occupier demand in our sector, the prime positioning of our developments and clear signs of easing build cost inflationary pressure all help to offset the principal downside risk concerning the level of future investment yields.

Based on current independent valuations of pipeline projects and the anticipated costs to complete these projects (£520 million), up to a further £127 million (102 pence per share) of unrealised development profits are expected to arise as the pipeline is built out.

Our modular manufacturing facility remains a key element of the Group's development success. We continue to deliver approximately 70% of new build bedrooms using this technology and, with a new management team installed at the plant, we have reinvigorated the innovation agenda. Our principal objective is to increase the off-site elements of all projects, both through the increased utilisation of our own facility and effective development of supply chain relationships, which we expect to impact favourably on construction costs.

Livocity

As reported with our preliminary statement in March, the Group currently operates one project under its 'Livocity' concept (62 beds near Regent's Park, London), providing accommodation for graduates and young career professionals. A further three assets are planned for development during 2008, located in Fulham, Highgate and Camden. The property continues to perform well with demand remaining robust, whilst development of the three further sites (total 138 beds) is progressing in line with plan.

Co-investing asset management

UNITE acts as co-investing manager of two significant specialist student accommodation investment vehicles which it established: The UNITE UK Student Accommodation Fund ("USAF") and the UNITE Capital Cities joint venture with GIC RE ("UCC"). In addition, one asset remains in the UNITE Student Village joint venture with Lehman Brothers ("USV"), although we anticipate that this asset will be sold to USAF during 2008, subject to satisfactory operating performance. During the six months to June 2008, the Group received fees from USAF, UCC and USV as follows:

	Management fees £m	Performance fees £m	Total fees £m
UCC	1.1	-	1.1
USAF	2.0	-	2.0
USV	-	-	-
Total	3.1	-	3.1

The performance of USAF during the period was strong on a sector relative basis, generating a total return of 5.6% in the period compared with an IPD UK Pooled Property Funds Index average of -10.3%. However, this did not generate any performance fees in the period, as the Fund's absolute performance was below the level at which such fees become payable. UCC and USV are closed ended funds and any performance fees become payable on exit.

Business Review

The UNITE UK Student Accommodation Fund

USAF was established in December 2006 to invest in direct let student accommodation across the UK, other than London and Edinburgh due to the exclusivity over those cities afforded to UCC at that time. Upon establishment it acquired a £515 million portfolio of such accommodation from UNITE and, during 2007, it acquired a further £302 million of assets from UNITE. Net asset movements and returns in USAF in the six months to June 2008 were as follows:

	£m
Fund consolidated net assets at 31 December 2007	446.1
Revaluation of investment portfolio	(1.7)
Earnings less distributions	5.7
Other reserve movements*	6.1
Fund consolidated net assets at 30 June 2008	**456.2**
Opening NAV per unit	£1.020
Closing NAV per unit	£1.066
Distributions paid	£0.011
Return on NAV (6 months performance)	
Capital	4.6%
Income	1.0%
Total	5.6%

* Includes non-cash items, market value movements in ineffective hedges & other movements

As at 30 June 2008, USAF's investment portfolio comprised 45 properties in 16 cities with a total of 17,767 bed spaces. The portfolio was independently valued by CBRE at £833 million, resulting in the Fund having net assets as at that date of £456.2 million as shown above. UNITE has maintained its stake in USAF at 20% throughout the first six months of the year and intends to retain it at approximately this level for the foreseeable future. As outlined above, USAF has delivered asset sales of £87.5 million in line with its strategy of focusing on markets that demonstrate the greatest prospects for capital and income growth. The capital released from these sales will be reinvested in higher growth markets.

USAF is an open-ended, infinite life vehicle with a carefully structured redemption mechanism designed to protect the interests of non-redeeming investors. Redemptions are not permissible before December 2009 and are limited thereafter to 10% of gross asset value per annum. The main reason for adopting an open-ended structure was to allow the Fund to increase in size through further injections of capital.

The investment capacity of USAF is an important factor in determining UNITE's forward development pipeline. Whilst UNITE does not commit to new developments without having the capital available to fund them through to completion, the expectation of a capital receipt from future sales to USAF does allow the Group to take a longer term view of its development opportunities.

The Fund performed well in 2007 and in the first half of 2008 and, with UCC no longer having exclusivity over assets in London and Edinburgh, USAF will be able to gain exposure to these attractive markets. As outlined earlier this year, we are seeking to raise further capital into USAF during 2008 in order to support acquisition opportunities that will arise for the Fund in those, and other cities, as a result of access to UNITE's pipeline of assets.

The capital raising process that was initiated earlier this year closes on 3 October 2008. Whilst the level of interest in the fund raising process has remained positive, it has proven difficult to secure commitments prior to the end of the fundraising window. Applications for capital now stand at £85 million, within which unconditional commitments total £42 million. Activity is expected to heighten during September as investors currently engaged in the due diligence process make commitments prior to the Fund closing. The Group remains focused on its target of £125 million, although current market conditions make it difficult to predict whether this will be achieved in full.

Assuming that no further capital is raised beyond the current level of unconditional commitments of £42 million, the Fund will have headroom, at its June gearing levels, to acquire a further £180 million of property. If the applications for capital are converted into commitments, headroom would increase to £280 million. If gearing is increased to the Fund's target level of 55%, investment capacity would be £335 million and £450 million respectively.

The UNITE Capital Cities joint venture

UCC was established in March 2005 as a joint venture between UNITE and GIC RE. It is a closed-ended fund due to mature in 2013 and was established by UNITE to develop and operate student accommodation in London and Edinburgh, markets in which UNITE's growth was capital constrained at that time. Following an intensive period of acquisition and development activity, UCC equity is now fully committed with its final development projects scheduled for completion in 2009, all of which are fully funded through to the end of the Fund's life. As a result of this successful execution of the business plan, UCC no longer has exclusivity over London and Edinburgh assets.

Net asset value movements and returns in UCC during 2008 were as follows:

	£m
JV consolidated net assets at 1 January 2008	**125.1**
Value added to completed portfolio	14.5
Development profits recognised	5.2
Earnings less distributions	(0.4)
Changes in fair value interest rate swaps	9.8
JV consolidated net assets at 30 June 2008	**154.2**
Return on NAV	
Capital	15.4%
Income	0.9%
Total	**16.3%**

Further details of the financial performance and position of USAF and UCC is provided in notes 3 and 8 to the consolidated financial statements.

Financing

The Group's financing strategy is based around its development and co-investing management business model. It requires financing to fund the development of new properties, the stabilisation phase of assets and ongoing investment in its operating portfolio. This financing is provided from its underlying equity, a range of debt facilities and its enhanced through equity released upon the sale of stabilised assets, typically to USAF.

By investing its equity capital primarily in development and stabilising activities, the Group seeks to maximise its return on equity for shareholders.

Debt facilities

Net debt at 30 June 2008 was £614 million, compared with £547 million at the year-end. The increase reflects the capital expenditure on developments offset by £49 million of debt repaid on disposed properties. Adjusted gearing was 126% (June 2007: 110%) and debt as a percentage of gross asset value was 65%.

The Group has followed a strategy of reducing its gearing through an ongoing programme of core asset disposals to USAF and other non-core asset disposals. Certain of these asset sales were completed after 30 June and, on a proforma basis, the impact of these sales would reduce adjusted gearing to 106%. The planned sales of assets to USAF late in 2008 will have the impact of further reducing gearing as is usual with the Group's business cycle.

As at 30 June 2008, the Group had £1.33 billion of debt available to it through a mixture of revolving and fixed facilities for the purposes of funding assets in the course of development, stabilisation and investment. £827 million of these facilities were committed to ongoing projects (with the lenders having security over the relevant assets) with the balance available to fund further development projects (subject to the lenders taking security over those projects). £646 million of the committed facilities were drawn at 30 June 2008. Following the disposal of properties outlined above, the level of drawn facilities will reduce by £62 million. It is important to note that the total undrawn facilities (£684 million) comfortably exceeds the costs to complete our secured development programme (£520 million).

In addition to the £1.33 billion of facilities referred to above, there were a further £30 million of working capital and stock facilities available. The average unexpired term on the Group's debt facilities is four years and the Group's average cost of debt is 6.6%. 84% of the Group's investment borrowings are fixed or hedged for an average period of 5.2 years.

The Group's primary banking facilities are arranged through a small number of key relationship banks and it has enjoyed continued and fresh support from these lenders despite the dramatic tightening of credit markets generally. This support is evidenced by new facilities, totalling £230 million, arranged with Bank of Ireland and Royal Bank of Scotland during the period. UNITE's facilities are structured to fund land, development and assets in the course of stabilisation prior to sale to USAF, with the banks taking security over the assets. The facilities are structured such that covenants become effective once the development period has completed.

Taking the above into account, the Group's main facilities are structured to recognise the stabilising nature of its wholly owned assets. They typically have interest cover covenants at the property level which require direct property net operating income to cover net interest attributable to that property or portfolio of properties by a factor of between 1.05 and 1.20 times. Whilst some facilities use solely these interest cover covenants, certain others also include loan to value covenants ('LTV'), again at a property level. Taking into account the values achieved on recent asset sales, the strong lettings performance and LTV covenant headroom inherent in the facilities at arrangement, we do not currently have concerns regarding any of the Groups' debt covenants.

We continue to actively monitor existing and forecast covenant compliance across all facilities and retain adequate flexibility within these facilities to maintain compliance in the unlikely event that any difficulty is envisaged.

The banking facilities and covenants within the co-investment vehicles are structured on a similar basis to the Group's facilities. In addition, the facilities are structured such that there is no recourse to the Group, with the exception of the UCC debt, which has limited recourse. There is no LTV covenant on the USAF bond.

Taking into account its available equity, and the debt facilities referred to above, the Group has all the financing it requires to build out its secured development pipeline.

Further details of the Groups risks and uncertainties are disclosed in the 2007 annual report and accounts.

Responsibility statement of the Directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;
- the interim management report includes a fair review of the information required by:

(a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Signed on behalf of the Board by:

Mark Allan	Joe Lister
Chief Executive	Chief Financial Officer

29 August 2008

Consolidated Income Statement

for the 6 months to 30 June 2008

	Note	**Unaudited 6 months to 30 June 2008 £'000**	Unaudited 6 months to 30 June 2007 £'000	Year to 31 Dec 2007 £'000
Revenue	*3*	**40,776**	37,263	72,140
Cost of sales	*3*	**(30,890)**	(14,211)	(29,974)
Administrative expenses	*3*	**(12,251)**	(10,919)	(21,082)
		(2,365)	12,133	21,084
Loss on disposal of property		**(5,849)**	(527)	(4,205)
Profit on part disposal of investment in joint venture		-	1,690	1,803
Net valuation (losses) / gains on investment property	*6*	**(11,908)**	13,856	(2,733)
(Loss) / profit before net financing costs		**(20,122)**	27,152	15,949
Loan interest and similar charges		**(13,967)**	(14,362)	(30,953)
Changes in fair value of interest swaps		**15,180**	2,876	(7,472)
Bond and loan redemption costs		-	-	(57,392)
Finance costs		**1,213**	(11,486)	(95,817)
Finance income		**702**	887	1,763
Net financing costs		**1,915**	(10,599)	(94,054)
Share of profits of joint ventures	*8*	**6,664**	12,599	10,978
(Loss) / profit before tax		**(11,543)**	29,152	(67,127)
Tax (charge) / credit		**(1,256)**	(3,362)	29,652
(Loss) / profit for the period		**(12,799)**	25,790	(37,475)

Profit for the period is wholly attributable to equity holders of The UNITE Group plc.

Earnings per share				
Basic	*5*	**(10.3p)**	20.9p	(30.4p)
Diluted	*5*	**(10.3p)**	20.8p	(30.4p)
Dividends				
Total paid in period (£'000)		**2,061**	2,051	3,073
Paid per ordinary share		**1.67p**	1.67p	2.50p
Total proposed (£'000)		**1,032**	1,023	2,062
Proposed per ordinary share		**0.83p**	0.83p	1.67p

Consolidated Balance Sheet

at 30 June 2008

	Note	Unaudited 30 June 2008 £'000	Unaudited 30 June 2007 £'000	31 Dec 2007 £'000
Assets				
Investment property	6	**565,280**	739,330	597,747
Investment property under development	6	**87,579**	186,962	102,180
Property, plant and equipment		**8,959**	9,225	9,094
Investment in joint ventures	8	**98,660**	101,789	86,013
Intangible assets		**7,736**	6,424	8,089
Other receivables		**13,471**	10,932	4,770
Total non-current assets		**781,685**	1,054,662	807,893
Properties under development	6	**233,811**	56,135	121,936
Inventories	7	**54,894**	82,419	104,557
Trade and other receivables		**100,072**	70,205	94,019
Cash and cash equivalents		**22,039**	32,269	56,316
Total current assets		**410,816**	241,028	376,828
Total assets		**1,192,501**	1,295,690	1,184,721
Liabilities				
Borrowings and financial derivatives	9	**(35,366)**	(62,357)	(240,234)
Trade and other payables		**(89,646)**	(77,056)	(117,801)
Total current liabilities		**(125,012)**	(139,413)	(358,035)
Borrowings and financial derivatives	9	**(611,066)**	(596,690)	(363,720)
Deferred tax liabilities		**(15,416)**	(45,155)	(12,873)
Total non-current liabilities		**(626,482)**	(641,845)	(376,593)
Total liabilities		**(751,494)**	(781,258)	(734,628)
Net Assets		**441,007**	514,432	450,093
Equity				
Issued share capital		**31,078**	30,823	30,874
Share premium		**176,536**	173,962	174,333
Merger reserve		**40,177**	40,177	40,177
Retained earnings		**177,050**	241,471	187,957
Revaluation reserve		**11,912**	24,027	17,644
Hedging reserve		**4,254**	3,972	(892)
Total equity		**441,007**	514,432	450,093

Total equity is wholly attributable to equity holders of The UNITE Group plc.

Consolidated Statement of Changes in Shareholders' Equity

for the 6 months to 30 June 2008

		Note	Unaudited 6 months to 30 June 2008 £'000	Unaudited 6 months to 30 June 2007 £'000	Year to 31 Dec 2007 £'000
Investment property under development:	- revaluation	6	**(1,666)**	2,035	7,368
	- deferred tax		**465**	(98)	(1,591)
Other property	- revaluation		-	-	159
	- deferred tax		-	-	-
Effective hedges	- movements		**2,782**	1,822	(1,280)
	- deferred tax		**(798)**	(547)	384
Gains on hedging instruments transferred to income statement			**(54)**	(124)	(101)
Deferred tax on gains transferred			**15**	37	30
Share of joint venture valuation gain on investment property under development (net of related tax)			**1,361**	4,596	4,810
Share of joint venture movements in effective hedges (net of related tax)			**3,201**	1,633	(1,076)
Net gains recognised directly in equity			**5,306**	9,354	8,703
(Loss) / profit for the period			**(12,799)**	25,790	(37,475)
Total recognised income and expense for the period			**(7,493)**	35,144	(28,772)
Dividends paid			**(2,061)**	(2,051)	(3,073)
Own shares acquired			**(2,192)**	(1,096)	(1,096)
Shares issued			**2,407**	1,014	1,436
Fair value of share options expensed			**253**	234	411
			(9,086)	33,245	(31,094)
Equity at start of period			**450,093**	481,187	481,187
Equity at end of period			**441,007**	514,432	450,093

Consolidated Statement of Cash Flows

for the 6 months to 30 June 2008

	Unaudited 6 months to 30 June 2008 £'000	Unaudited 6 months to 30 June 2007 £'000	Year to 31 Dec 2007 £'000
Operating activities			
(Loss) / profit for the period	**(12,799)**	25,790	(37,475)
Adjustments for non cash / non operating items	**13,192**	(10,792)	64,284
Cash flows from operating activities before changes in working capital	**393**	14,998	26,809
Change in property under development	**(111,875)**	(38,101)	(103,902)
Changes in inventories	**49,663**	(59,437)	(81,575)
Other changes in working capital	**(27,193)**	(26,578)	29,942
Tax paid	**(256)**	-	-
Cash flows from operating activities	**(89,268)**	(109,118)	(128,726)
Cash flows from investing activities	**20,685**	(85,410)	101,263
Cash flows from financing activities	**37,105**	176,354	30,537
Net (decrease) / increase in cash and cash equivalents	**(31,478)**	(18,174)	3,074
Cash and cash equivalents at start of period	**53,517**	50,443	50,443
Cash and cash equivalents at end of period	**22,039**	32,269	53,517

Cash and cash equivalents are stated net of operational overdrafts which are disclosed in note 9.

Notes to the Consolidated Interim Financial Statements

1. Basis of preparation

The UNITE Group plc (the "Company") is a company domiciled in The United Kingdom. These condensed consolidated interim financial statements for the 6 months ended 30 June 2008 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in jointly controlled entities.

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and on the basis of the accounting policies disclosed in the financial statements for the year ending 31 December 2007. These interim financial statements do not constitute statutory accounts of the Group within the meaning of Section 240 of the Companies Act 1985. Statutory accounts for the year ended 31 December 2007 have been filed with the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain any statement under Section 237 of the Companies Act 1985.

2. Seasonality of operations

The results of the Group's investment division, a separate business segment (see note 3), are closely linked to the level of occupancy achieved in its portfolio of property. Occupancy typically falls over the summer months (particularly July and August) as students leave for the summer holidays. The Group attempts to minimise the seasonal impact by the use of short-term summer tenancies. However the second half-year typically has lower revenues for the existing portfolio.

Conversely, the Group's build cycle for new investment property is planned to complete construction shortly before the start of the academic year in September each year. The addition of these properties to the investment division in the second half increases the division's revenues in that period.

3. Segment reporting

Segment information is presented in respect of the Group's business segments based on the Group's management and internal reporting structure. The Directors do not consider that the Group has meaningful geographical segments as it operated exclusively in the United Kingdom in the year.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Group undertakes the acquisition and development of properties and then manages the completed assets. The Group's management approach is based on these two activities and hence they are reported as the Group's development and investment operating segments.

(a) Segment revenue and costs

	Investment segment £'000	Development segment £'000	Unallocated corporate costs £'000	Total £'000
Unaudited 30 June 2008				
Revenue	**32,473**	**8,303**	-	**40,776**
Cost of sales	**(14,214)**	**(16,676)**	-	**(30,890)**
Administrative expenses	**(7,177)**	**(1,170)**	**(3,904)**	**(12,251)**
	11,082	**(9,543)**	**(3,904)**	**(2,365)**
Loan interest and similar charges	**(13,967)**	-	-	**(13,967)**
Interest rate swap receipts	**614**	-	-	**614**
Finance income	**702**	-	-	**702**
Share of joint venture investment segment result	**3,285**	-	-	**3,285**
Segment result / corporate costs	**1,716**	**(9,543)**	**(3,904)**	**(11,731)**
Unaudited 30 June 2007				
Revenue	35,907	1,356	-	37,263
Cost of sales	(12,987)	(1,224)	-	(14,211)
Administrative expenses	(5,589)	(2,050)	(3,280)	(10,919)
	17,331	(1,918)	(3,280)	12,133
Loan interest and similar charges	(14,362)	-	-	(14,362)
Finance income	887	-	-	887
Share of joint venture investment segment result	3,339	-	-	3,339
Segment result / corporate costs	7,195	(1,918)	(3,280)	1,997
31 December 2007				
Revenue	69,945	2,195	-	72,140
Cost of sales	(27,613)	(2,361)	-	(29,974)
Administrative expenses	(11,548)	(3,656)	(5,878)	(21,082)
	30,784	(3,822)	(5,878)	21,084
Loan interest and similar charges	(30,953)	-	-	(30,953)
Finance income	1,763	-	-	1,763
Share of joint venture investment segment result	5,921	-	-	5,921
Segment result / corporate costs	7,515	(3,822)	(5,878)	(2,185)

3. Segment reporting (continued)

(b) Portfolio result and adjusted profit

	Note	**Unaudited 30 June 2008 £'000**	Unaudited 30 June 2007 £'000	31 Dec 2007 £'000
Investment segment result	*3(c)*	**1,716**	7,195	7,515
Development segment result		**(9,543)**	(1,918)	(3,822)
Other Unallocated items				
Corporate costs		**(3,904)**	(3,280)	(5,878)
Share of joint venture overheads		**(133)**	(461)	(632)
Loan break costs and costs written off on refinancing		-	-	(57,392)
Swap loss realised on cancellation		-	-	(2,120)
Share of joint venture swap gain		-	-	186
Current tax charge		**(326)**	(1,116)	(795)
Adjusted (loss) / profit for the year		**(12,190)**	420	(62,938)
Net valuation (losses) / gains on investment property		**(11,908)**	13,856	(2,733)
Loss on sale of property		**(5,849)**	(527)	(4,205)
Profit on part disposal of investment in joint venture		-	1,690	1,803
Share of joint venture loss on disposal		-	-	(81)
Share of joint venture tax charge		-	-	(1,438)
Changes in fair value of interest rate swaps		**15,180**	2,876	(5,352)
Interest rate swap receipts on ineffective hedges allocated to the investment segment	*3(c)*	**(614)**	-	-
Share of joint venture valuation gains		**3,303**	8,917	5,179
Share of joint venture deferred tax		**209**	804	1,843
Deferred tax		**(930)**	(2,246)	30,447
(Loss) / profit for the year		**(12,799)**	25,790	(37,475)

(c) Segment see through basis

Information on the Group's investment activities on a see through basis, including an allocation of interest, is set out below.

Unaudited 30 June 2008	**100% UNITE**			**Share of co-invested joint ventures**				**Group on see through basis**
	Wholly Owned £'000	**Leased / Other £'000**	**Total £'000**	**USAF £'000**	**Capital Cities £'000**	**Student Village £'000**	**Total £'000**	**Total £'000**
Rental income	22,977	6,280	**29,257**	6,889	2,284	1,025	**10,198**	**39,455**
Property operating expenses (excl. lease rentals)	(8,025)	(2,272)	**(10,297)**	(2,107)	(415)	(358)	**(2,880)**	**(13,177)**
Operating lease rentals	-	(3,917)	**(3,917)**	-	-	-	-	**(3,917)**
Net rental income	14,952	91	**15,043**	4,782	1,869	667	**7,318**	**22,361**
Joint venture management fees	-	3,216	**3,216**	-	(162)	-	**(162)**	**3,054**
Overheads	-	(7,177)	**(7,177)**	-	-	-	-	**(7,177)**
Investment segment result before interest	14,952	(3,870)	**11,082**	4,782	1,707	667	**7,156**	**18,238**
Loan interest and similar charges	(13,967)	-	**(13,967)**	(2,237)	(1,251)	(683)	**(4,171)**	**(18,138)**
Interest rate swap receipts	614	-	**614**	-	-	-	-	**614**
Finance income	702	-	**702**	142	78	80	**300**	**1,002**
	(12,651)	-	**(12,651)**	(2,095)	(1,173)	(603)	**(3,871)**	**(16,522)**
Investment segment result	2,301	(3,870)	**(1,569)**	2,687	534	64	**3,285**	**1,716**

3. Segment reporting (continued)

(c) Segment on see through basis (continued)

Unaudited 30 June 2007		100% UNITE			Share of co-invested joint ventures			Group on see through basis
	Wholly Owned	Leased / Other	Total	USAF	Capital Cities	Student Village	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Rental income	24,969	5,697	**30,666**	7,426	1,675	1,787	**10,888**	**41,554**
Property operating expenses (excl. lease rentals)	(7,729)	(1,741)	**(9,470)**	(2,182)	(259)	(496)	**(2,937)**	**(12,407)**
Operating lease rentals	-	(3,517)	**(3,517)**	-	-	-	**-**	**(3,517)**
Net rental income	17,240	439	**17,679**	5,244	1,416	1,291	**7,951**	**25,630**
Joint venture management fees	-	1,848	**1,848**	-	(122)	-	**(122)**	**1,726**
Joint venture promote fee	-	3,393	**3,393**	-	-	-	**-**	**3,393**
Overheads	-	(5,589)	**(5,589)**	-	-	-	**-**	**(5,589)**
Investment segment result before interest	17,240	91	**17,331**	5,244	1,294	1,291	**7,829**	**25,160**
Loan interest and similar charges	(14,362)	-	**(14,362)**	(2,634)	(1,119)	(1,071)	**(4,824)**	**(19,186)**
Finance income	887	-	**887**	148	147	39	**334**	**1,221**
	(13,475)	-	**(13,475)**	(2,486)	(972)	(1,032)	**(4,490)**	**(17,965)**
Investment segment result	3,765	91	**3,856**	2,758	322	259	**3,339**	**7,195**

31 December 2007		100% UNITE			Share of co-invested joint ventures			Group on see through basis
	Wholly Owned	Leased / Other	Total	USAF	Capital Cities	Student Village	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Rental income	53,110	9,698	**62,808**	12,622	3,816	3,033	**19,471**	**82,279**
Property operating expenses (excl. lease rentals)	(16,917)	(3,595)	**(20,512)**	(3,671)	(516)	(886)	**(5,073)**	**(25,585)**
Operating lease rentals	-	(7,101)	**(7,101)**	-	-	-	**-**	**(7,101)**
Net rental income	36,193	(998)	**35,195**	8,951	3,300	2,147	**14,398**	**49,593**
Joint venture management fees	-	4,172	**4,172**	-	(250)	-	**(250)**	**3,922**
Joint venture promote fee	-	2,965	**2,965**	-	-	-	**-**	**2,965**
Overheads	-	(11,548)	**(11,548)**	-	-	-	**-**	**(11,548)**
Investment segment result before interest	36,193	(5,409)	**30,784**	8,951	3,050	2,147	**14,148**	**44,932**
Loan interest and similar charges	(30,953)	-	**(30,953)**	(4,642)	(2,249)	(1,980)	**(8,871)**	**(39,824)**
Finance income	1,763	-	**1,763**	299	213	132	**644**	**2,407**
	(29,190)	-	**(29,190)**	(4,343)	(2,036)	(1,848)	**(8,227)**	**(37,417)**
Investment segment result	7,003	(5,409)	**1,594**	4,608	1,014	299	**5,921**	**7,515**

(d) Segment assets and liabilities on see through basis

Unaudited 30 June 2008	100% UNITE Wholly Owned £'000	Share of co-invested joint ventures USAF £'000	Capital Cities £'000	Student Village £'000	Total £'000	Group on see through basis Total £'000
Investment property	**565,280**	170,316	71,703	31,265	**273,284**	**838,564**
Investment property under development	**87,579**	-	43,835	-	**43,835**	**131,414**
Property under development	**233,811**	-	-	-	-	**233,811**
Investment and development property	**886,670**	170,316	115,538	31,265	**317,119**	**1,203,789**
Cash	**22,039**	6,286	1,616	4,354	**12,256**	**34,295**
Other assets - investment	**115,576**	(45,471)	163	(214)	**(45,522)**	**70,054**
Other assets - development	**59,752**	-	414	-	**414**	**60,166**
Interest rate swaps	**9,804**	667	2,502	962	**4,131**	**13,935**
Other assets	**207,171**	(38,518)	4,695	5,102	**(28,721)**	**178,450**
Debt - completed properties	**(393,362)**	(80,773)	(43,886)	(23,074)	**(147,733)**	**(541,095)**
Debt - development properties	**(253,070)**	-	(26,089)	-	**(26,089)**	**(279,159)**
Other liabilities - investment	**(52,814)**	(3,103)	(1,126)	(8,146)	**(12,375)**	**(65,189)**
Other liabilities - development	**(36,832)**	-	(2,864)	-	**(2,864)**	**(39,696)**
Other liabilities - unallocated	**(15,416)**	-	-	(677)	**(677)**	**(16,093)**
Total liabilities	**(751,494)**	(83,876)	(73,965)	(31,897)	**(189,738)**	**(941,232)**
Net assets	**342,347**	47,922	46,268	4,470	**98,660**	**441,007**
Joint venture investment loans	**(49,312)**	45,645	-	3,667	**49,312**	-
Underlying capital employed	**293,035**	93,567	46,268	8,137	**147,972**	**441,007**
Mark to market of interest rate swaps	**(10,466)**	(667)	(2,502)	(962)	**(4,131)**	**(14,597)**
Valuation gain not recognised on property held at cost	**55,080**	-	-	-	-	**55,080**
Deferred tax	**15,416**	-	-	677	**677**	**16,093**
Adjusted net assets	**353,065**	92,900	43,766	7,852	**144,518**	**497,583**

In order to show the Group's full investment in joint ventures their net assets have been adjusted for loans that are capital in nature to show the underlying capital employed in the above table.

(d) Segment assets and liabilities on see through basis (continued)

Unaudited 30 June 2007	100% UNITE Wholly Owned	Share of co-invested joint ventures				Group on see through basis
		USAF	Capital Cities	Student Village	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Investment property	739,330	153,824	58,131	50,965	262,920	1,002,250
Investment property under development	186,962	-	37,967	6,862	44,829	231,791
Property under development	56,135	-	-	-	-	56,135
Investment and development property	982,427	153,824	96,098	57,827	307,749	1,290,176
Cash	32,269	5,310	2,230	1,634	9,174	41,443
Other assets - investment	82,954	(26,539)	475	(1,535)	(27,599)	55,355
Other assets - development	90,119	-	3,882	-	3,882	94,001
Interest rate swaps	6,132	-	1,687	1,858	3,545	9,677
Other assets	211,474	(21,229)	8,274	1,957	(10,998)	200,476
Debt - completed properties	(459,163)	(81,089)	(34,930)	(37,170)	(153,189)	(612,352)
Debt - development properties	(199,884)	-	(26,989)	(5,459)	(32,448)	(232,332)
Other liabilities - investment	(43,781)	(1,629)	(2,525)	(1,269)	(5,423)	(49,204)
Other liabilities - development	(33,275)	-	(800)	(714)	(1,514)	(34,789)
Other liabilities - unallocated	(45,155)	-	-	(2,388)	(2,388)	(47,543)
Total liabilities	(781,258)	(82,718)	(65,244)	(47,000)	(194,962)	(976,220)
Net assets	412,643	49,877	39,128	12,784	101,789	514,432
Joint venture investment loans	(27,982)	24,801	-	3,181	27,982	-
Underlying capital employed	384,661	74,678	39,128	15,965	129,771	514,432
Mark to market of interest rate swaps	(5,005)	-	(1,687)	(1,858)	(3,545)	(8,550)
Valuation gain not recognised on property held at cost	17,860	-	-	-	-	17,860
Deferred tax	45,155	-	-	2,388	2,388	47,543
Adjusted net assets	442,671	74,678	37,441	16,495	128,614	571,285

3. Segment reporting (continued)

(d) Segment assets and liabilities on see through basis (continued)

31 December 2007	100% UNITE Wholly Owned £'000	Share of co-invested joint ventures USAF £'000	Capital Cities £'000	Student Village £'000	Total £'000	Group on see through basis Total £'000
Investment property	**597,747**	167,042	67,593	31,826	**266,461**	**864,208**
Investment property under development	**102,180**	-	36,001	-	**36,001**	**138,181**
Property under development	**121,936**	-	-	-	**-**	**121,936**
Investment & development property	**821,863**	167,042	103,594	31,826	**302,462**	**1,124,325**
Cash	**56,316**	4,158	2,522	3,910	**10,590**	**66,906**
Other assets - investment	**107,698**	(45,136)	1,113	(3,572)	**(47,595)**	**60,103**
Other assets - development	**111,728**	-	365	-	**365**	**112,093**
Interest rate swaps	**1,103**	-	-	338	**338**	**1,441**
Other assets	**276,845**	(40,978)	4,000	676	**(36,302)**	**240,543**
Debt – completed properties	**(409,253)**	(78,398)	(43,696)	(23,552)	**(145,646)**	**(554,899)**
Debt – development properties	**(185,898)**	-	(20,458)	-	**(20,458)**	**(206,356)**
Other liabilities - investment	**(62,471)**	(3,293)	(1,228)	(3,895)	**(8,416)**	**(70,887)**
Other liabilities - development	**(55,330)**	-	(4,247)	-	**(4,247)**	**(59,577)**
Interest rate swap	**(8,803)**	(228)	(434)	-	**(662)**	**(9,465)**
Other liabilities - unallocated	**(12,873)**	-	-	(718)	**(718)**	**(13,591)**
Total liabilities	**(734,628)**	(81,919)	(70,063)	(28,165)	**(180,147)**	**(914,775)**
Net assets	**364,080**	44,145	37,531	4,337	**86,013**	**450,093**
Joint venture investment loans	**(49,312)**	45,645	-	3,667	**49,312**	**-**
Underlying capital employed	**314,768**	89,790	37,531	8,004	**135,325**	**450,093**
Mark to market of interest rate swaps	**6,828**	228	434	(338)	**324**	**7,152**
Valuation gain not recognised on property held at cost	**38,726**	-	-	-	**-**	**38,726**
Deferred tax	**12,873**	-	-	718	**718**	**13,591**
Adjusted net assets	**373,195**	90,018	37,965	8,384	**136,367**	**509,562**

4. Tax

Current tax

Current tax expense for the periods presented is the estimated tax payable on the taxable income for the period.

Deferred tax

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the tax rate expected to apply for the periods in which the assets and liabilities are anticipated to reverse.

The primary components of the deferred tax expense are related to increases in deferred tax liabilities, arising primarily from the Group's investment property and interest rate swaps.

5. Earnings per share and net asset value per share

Earnings per share

The calculations of basic and adjusted earnings per share are as follows:-

	Note	Unaudited 30 June 2008 £'000	Unaudited 30 June 2007 £'000	31 Dec 2007 £'000
Earnings				
Basic (and diluted)		**(12,799)**	25,790	(37,475)
Adjusted	*3(b)*	**(12,190)**	420	(62,938)
Weighted Average number of shares (thousands)				
Basic		**123,875**	123,145	123,239
Dilutive potential ordinary shares		**493**	1,087	1,257
Diluted		**124,368**	124,232	124,496
Earnings per share (pence)				
Basic		**(10.3)**	20.9	(30.4)
Diluted		**(10.3)**	20.8	(30.4)
Adjusted		**(9.8)**	0.3	(50.6)

Net asset value per share

	Note	Unaudited 30 June 2008 £'000	Unaudited 30 June 2007 £'000	31 Dec 2007 £'000
Net assets				
Basic		**441,007**	514,432	450,093
Adjusted - pre dilution	*3(d)*	**497,583**	571,285	509,562
Outstanding share options		**3,146**	3,718	3,550
Adjusted - diluted		**500,729**	575,003	513,112
Number of shares (thousands)				
Basic		**124,311**	123,290	123,495
Outstanding share options		**1,503**	1,796	1,670
Diluted		**125,814**	125,086	125,165
Net assets value per share (pence)				
Basic		**355**	417	364
Adjusted - pre dilution		**400**	463	413
Adjusted - diluted		**398**	460	410

6. Investment and development property

Unaudited 30 June 2008	Investment property £'000	Investment property under development £'000	Property under development £'000	Total £'000
Balance at start of period	597,747	102,180	121,936	821,863
Cost capitalised	3,041	19,794	66,303	89,138
Interest capitalised	185	2,271	5,865	8,321
Transfer to investment property	35,000	(35,000)	-	-
Transfer from land held for development	-	-	41,856	41,856
Disposals	(58,785)	-	-	(58,785)
Net realisable value provision	-	-	(2,149)	(2,149)
Valuation gains	2,042	2,709	-	4,751
Valuation losses	(13,950)	(4,375)	-	(18,325)
Net valuation losses	(11,908)	(1,666)	-	(13,574)
Balance at end of period	565,280	87,579	233,811	886,670

Unaudited 30 June 2007	Investment property £'000	Investment property under development £'000	Property under development £'000	Total £'000
Balance at start of period	656,969	124,980	12,093	794,042
Acquisitions	77,506	-	-	77,506
Cost capitalised	2,135	55,727	37,256	95,118
Interest capitalised	155	4,220	845	5,220
Transfer to property under development	(5,941)	-	5,941	-
Disposals	(5,350)	-	-	(5,350)
Valuation gains	23,352	5,076	-	28,428
Valuation losses	(9,496)	(3,041)	-	(12,537)
Net valuation gains	13,856	2,035	-	15,891
Balance at end of period	739,330	186,962	56,135	982,427

31 December 2007	Investment property £'000	Investment property under development £'000	Property under development £'000	Total £'000
Balance at start of period	656,969	124,980	12,093	794,042
Acquisitions	77,506	-	-	77,506
Cost capitalised	7,473	108,090	96,668	212,231
Interest capitalised	230	8,512	3,501	12,243
Transfer from investment property	(5,941)	-	5,941	-
Transfer from land held for development	-	-	3,733	3,733
Transfer from investment property under development	146,770	(146,770)	-	-
Disposals	(282,527)	-	-	(282,527)
Valuation gains	28,669	10,224	-	38,893
Valuation losses	(31,402)	(2,856)	-	(34,258)
Net valuation (losses) / gains	(2,733)	7,368	-	4,635
Balance at end of year	597,747	102,180	121,936	821,863

6. Investment and development property (continued)

Properties owned by the Group, shown below, and joint ventures, have been valued on the basis of "market value" as defined in the RICS Appraisal and Valuation Manual issued by the Royal Institution of Chartered Surveyors as determined by CB Richard Ellis Ltd and Messrs King Sturge, Chartered Surveyors, as external valuers. Investment property and investment property under development are carried at fair value. Property under development of £233.811m (2007: £56.135m) held in current assets is carried at cost less a net realisable value provision, but its fair value has been determined as described below.

Following the formation of the UNITE UK Student Accommodation Fund (USAF) it is likely that the Fund will acquire the Group's future developments. Hence properties acquired with the intention of selling them to the UNITE UK Student Accommodation Fund following completion are now treated as property under development in current assets, (carried at the lower cost and NRV), rather than fixed assets, (carried at fair value). The impact if these properties were carried at fair value rather than cost is as follows:

Unaudited 30 June 2008	**Investment property £'000**	**Investment property under development £'000**	**Property under development £'000**	**Total £'000**
Balance at end of period	**565,280**	**87,579**	**233,811**	**886,670**
Valuation gain not recognised on property held at cost	-	-	**55,080**	**55,080**
Fair value at end of period	**565,280**	**87,579**	**288,891**	**941,750**

Unaudited 30 June 2007	**Investment property £'000**	**Investment property under development £'000**	**Property under development £'000**	**Total £'000**
Balance at end of period	739,330	186,962	56,135	982,427
Valuation gain not recognised on property held at cost	-	-	17,860	17,860
Fair value at end of period	739,330	186,962	73,995	1,000,287

31 December 2007	**Investment property £'000**	**Investment property under development £'000**	**Property under development £'000**	**Total £'000**
Balance at end of period	597,747	102,180	121,936	821,863
Valuation gain not recognised on property held at cost	-	-	38,726	38,726
Fair value at end of period	597,747	102,180	160,662	860,589

7. Inventories

	Unaudited 30 June 2008 £'000	Unaudited 30 June 2007 £'000	31 Dec 2007 £'000
Land held for development	**41,682**	74,785	91,324
Work in progress	**12,161**	7,107	12,360
Raw material and consumables	**1,051**	527	873
	54,894	82,419	104,557

8. Investments in joint ventures

	Note	Unaudited 30 June 2008 £'000	Unaudited 30 June 2007 £'000	31 Dec 2007 £'000
Share of profit				
Portfolio result	*3(c)*	**3,285**	3,339	5,921
Overheads		**(133)**	(461)	(632)
Net valuation gains		**3,303**	8,917	5,179
Current tax		**-**	-	(1,438)
Deferred tax credit		**209**	804	1,843
Other		**-**	-	105
		6,664	12,599	10,978
Share of items recognised directly in reserves:				
Valuation gains (net of deferred tax)		**1,570**	4,724	5,483
Movements in effective hedges (net of deferred tax)		**4,287**	1,990	(1,423)
Other movements:				
Additions		**2,200**	2,397	6,797
Disposals		**-**	(22,456)	(28,575)
Profit adjustment relating to trading with joint ventures		**(785)**	(1,658)	(3,220)
Distributions received		**(1,289)**	(2,094)	(10,314)
		12,647	(4,498)	(20,274)
At start of period		**86,013**	106,287	106,287
At end of period		**98,660**	101,789	86,013

9. Borrowings and financial derivatives

	Unaudited 30 June 2008 £'000	Unaudited 30 June 2007 £'000	31 Dec 2007 £'000
Non-current			
Bank and other loans	**611,066**	596,690	354,917
Interest rate swaps	**-**	-	8,803
	611,066	596,690	363,720
Current			
Overdrafts	**-**	-	2,799
Bank loans	**23,782**	19,744	196,296
Build loans	**11,584**	42,378	41,104
Finance lease liabilities	**-**	235	35
	35,366	62,357	240,234

Independent Review Report by KPMG Audit PLC

To the UNITE Group PLC

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008 which comprises of the consolidated income statement, the consolidated balance sheet, the consolidated statement of changes in shareholders' equity, the consolidated statement of cashflows and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

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

Our responsibility

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

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

KPMG Audit Plc
Chartered Accountants
London
29 August 2008

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