Delivering the best accommodation experience for students

Annual Report & Accounts 2010

The heart of student living

UNITE

Our company values are ***taking the lead, working together*** and ***caring***; these values were developed by our staff and guide our behaviour through every activity.

Throughout this report a series of case studies demonstrates in more detail how UNITE works in partnership with key stakeholders to meet and exceed their needs.

Our mission is to deliver the best accommodation experience for students, with passion and pride.

Our vision is to create a business that is built to last, where we meet and exceed the collective expectations of the five stakeholder groups critical to our success:

- Students
- Universities
- Employees
- Investors
- Communities

Financial highlights

Against a backdrop of challenging financial and uncertain market conditions UNITE reports strong growth in profit and net asset value driven by high occupancy and continued rental growth.

- Adjusted fully diluted NAV per share up 11% to 295 pence
- Profit at a net portfolio contribution level of £4.1 million
- Like-for-like rental growth of 3.1% and 97% occupancy
- Adjusted net debt reduced to £335 million (31 December 2009: £390 million) largely as a result of the sale of £146 million assets to USAF. Adjusted gearing fell to 71% from 92% at December 2009
- Secured London pipeline increased to 2,800 bed spaces for delivery in 2012–2014
- Reservations for 2011/12 at 62% as at end February 2011, compared to 59% at the same time in 2010

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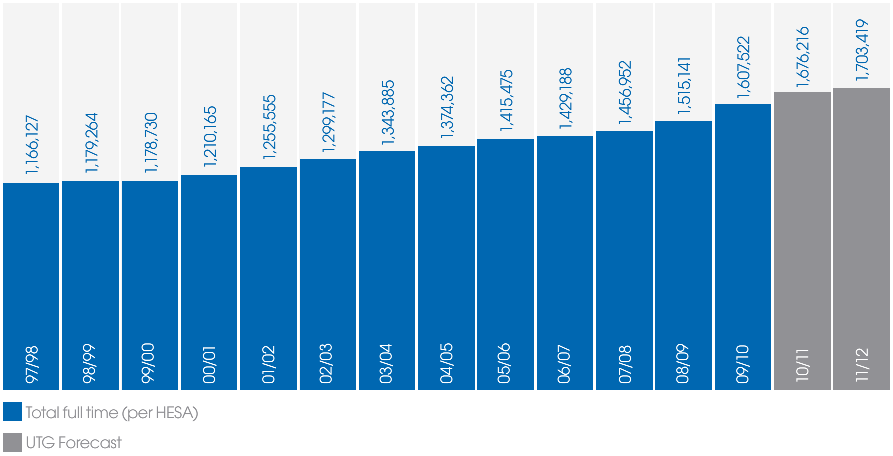
Market Overview

Student numbers grew once again in 2010, largely as a result of the Government's decision to fund an additional 10,000 undergraduate places. However, over the past three years as many as 160,000 applicants each year have been unable to secure a place, meaning that, not only is there not enough accommodation for those who get a place, there are not enough places for those who want them.

46% of UNITE's customer base is international (rising to 70% in London) and, of the Group's UK customer base, over 45% come from the most affluent backgrounds.

6:1
demand/supply ratio for purpose built student accommodation

Market overview



UNITE strategy

Using our sector expertise, based on a scalable operating platform and financial strength, UNITE's growth strategy is based on targeted development opportunities, proactive asset management and working in partnership with universities to support their changing accommodation needs.

Strategy

Targeted development

Identifying and securing our pipeline in areas of greatest market need. The Group has approximately 2,800 bed spaces secured for delivery in London between 2012 and 2014.

Proactive asset management

UNITE has a strong operating platform which delivers good quality customer service on a consistent basis. The Group delivered rental growth of 3.1% in 2010.

Growth opportunities

UNITE continue to seek targeted growth opportunities through aquisition and repositioning assets.

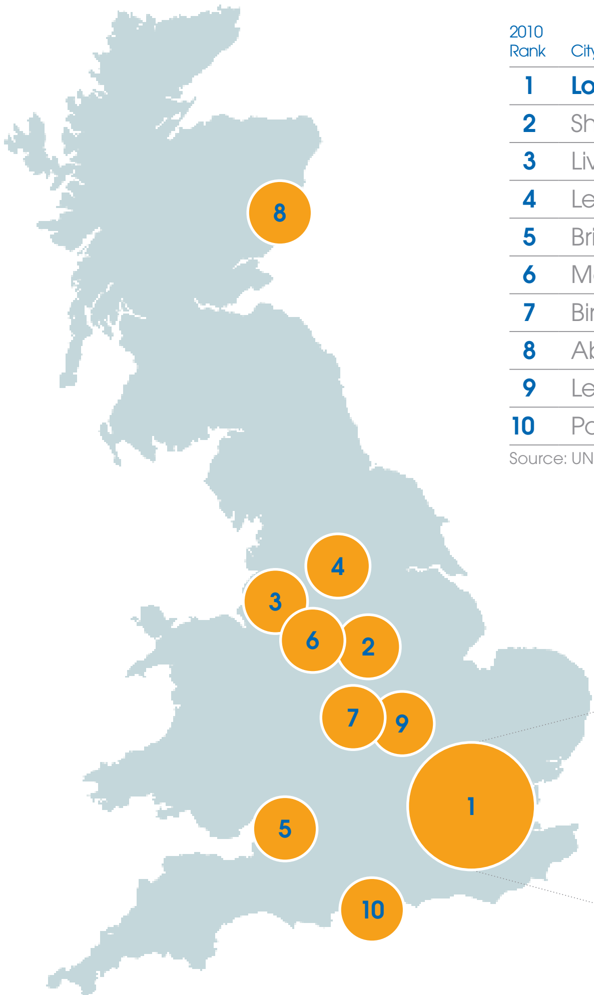
UNITE portfolio

UNITE is the UK's leading provider of student accommodation with 39,739 bed spaces in 129 properties across 24 university towns and cities. UNITE continues to focus its investment in strong university locations, particularly in London and the Group now has approximately 2,800 bed spaces secured for delivery in London between 2012 and 2014.

Additionally, four projects in London, Manchester, Reading and Glasgow are scheduled to deliver a further 1,277 beds in summer 2011.

2010 Rank	City	Completed beds 2010/2011	Completed beds 2009/2010	Full time student numbers 2009/2010	Market share
1	**London**	**6,586**	**5,327**	**284,036**	**2.3%**
2	Sheffield	3,734	3,734	46,325	8.1%
3	Liverpool	3,372	3,372	40,720	8.3%
4	Leeds	3,137	3,137	52,371	6.0%
5	Bristol	2,857	3,036	38,561	7.4%
6	Manchester	2,595	2,595	79,406	3.3%
7	Birmingham	1,832	1,832	53,103	3.4%
8	Aberdeen	1,821	1,821	21,735	8.4%
9	Leicester	1,685	1,685	28,588	5.9%
10	Portsmouth	1,402	1,402	17,582	8.0%

Source: UNITE/HESA



New London properties in 2010

Property name	Bed spaces available
1 Great Suffolk Street	233
2 Wedgewood Court	323
3 Woodland Court	73

Chairman's statement

For 2010/11 UNITE again achieved high occupancy levels (97%) and healthy rental growth (3.1%).

97%
occupancy levels

Phil White
Chairman
2 March 2011

Overview

2010 was a year of excellent progress for UNITE, particularly given the uncertain economic backdrop and the announcement of major changes to university and student funding. The Group saw significant improvements in both profitability (delivering a net portfolio contribution of £4.1 million up from £0.6 million in 2009 and a loss of £5.4 million in 2008) and adjusted net asset value up 11% to 295 pence per share.

Over the past few years we have carefully developed our strategy and business model to address the emerging changes to the environment in which we operate. We have focused our investment in strong university locations, particularly London, delivered lasting operational efficiencies and strengthened our balance sheet through a series of important measures. As a result, the Group withstood the financial crisis and is well positioned to adapt to the forthcoming changes to UK Higher Education.

We expect demand for well located, well managed and high quality student accommodation to remain strong in the years ahead even though we do not expect student numbers themselves to grow significantly due to a number of supply side constraints. Applications to study at university exceeded available places by 160,000 in 2010 and in most major university towns and cities there is still not enough accommodation to house those students that do get a place. Capital constraints and a tough planning environment mean that the level of new supply over the next few years is unlikely to be material. As a result, the outlook for rental growth and selective development opportunities in our sector is positive.

For 2010/11 UNITE again achieved high occupancy levels (97%) and healthy rental growth (3.1%). Looking forward, demand for UNITE's accommodation in 2011/12 looks to be even stronger with reservations at the end of February already at 62% of available rooms, compared to 59% in 2010. We expect rental growth for 2011/12 to be at a similar level to 2010/11.

Strategy

Over the past four years the Group has successfully established itself as a developer and co-investing manager, selling the majority of its operating portfolio to the UNITE UK Student Accommodation Fund ('USAF'), its flagship multi-investor fund, and using the proceeds to reduce borrowings and fund new development activity. This strategy has served the Group well.

Looking forward, in order to increase our share of recurring profits we plan to retain a higher ownership stake in our current development portfolio as it is completed whilst also enhancing our London portfolio weighting. With USAF also having largely achieved its own objectives in terms of scale, diversity and track record and with a healthy secondary trading market for USAF units emerging, we expect asset sales from the Group to the Fund to be more modest in the coming years.

We believe that this, together with continued good rental growth prospects for the sector, asset management potential across a large and diverse portfolio and further earnings accretive development opportunities (particularly in London) forms a clear basis from which to increase net portfolio contribution ('NPC') and net asset value ('NAV') in the coming years.

Targeted development activity

We are on track to secure and deliver our future London development pipeline in line with plan. The Group now has approximately 2,800 bed spaces secured for delivery in London between 2012 and 2014, of which 1,341 are to be delivered in 2012 and have all the necessary funding and planning consents in place. In addition, our four 2011 projects in London, Manchester, Reading and Glasgow remain on track for summer delivery.

The delivery of our development pipeline will be accretive to earnings and net asset value. The full secured pipeline will account for £69 million of future NAV uplift and a potential £14 million of recurring NPC assuming plan targets are hit and that borrowing against the pipeline is not increased.

Projects in the Group's secured pipeline have been carefully selected to address the areas of greatest market need. Over 90% of our pipeline in London consists of en suite bedrooms, where the market shortage is most acute, and over half of these are targeted at the value end of the price spectrum, with rents being positioned approximately 20% below the current market average. This value proposition is achieved through a combination of specification, configuration and location factors and leaves the Group well placed to cater for changing customer demands.

In addition to the above, we remain confident that we will secure the remainder of our target London pipeline during 2011, increasing the 2,800 beds currently in place to approximately 4,000 and meaning that the capital currently available to the Group will then be substantially committed. Beyond this we intend to commit between a further £100 million and £150 million to new development activity by the end of 2012, to be funded by the disposal of selected assets from our investment portfolio to a similar value.

Proactive asset management

Our diverse national presence and focus on strong university locations, both through our wholly-owned and co-investment portfolios, continues to underpin good rental growth prospects. In addition, we see an increasing opportunity to enhance returns further through a range of refurbishment, extension and reversionary initiatives in the coming years as well as pursuing further efficiencies that will improve net operating margin.

Other growth opportunities

In addition to the growth derived from our development and asset management activities, we continue to believe that opportunities will also emerge to acquire and reposition certain assets owned by other operators and also to pursue accommodation partnership projects with universities. During 2010, for example, USAF acquired a single £25 million asset in Newcastle from a third party and UNITE (together with a consortium of investment partners) pursued, ultimately unsuccessfully, a possible partnership to operate a portfolio of 4,000 beds on behalf of a major UK university. We will continue to examine such opportunities but will only pursue them if we are confident that to do so will not distract from the core objectives of the Group. Furthermore, the majority of any capital required to pursue any such opportunities is likely to be sourced from third parties.

The Group now has approximately 2,800 bed spaces secured for delivery in London between 2012 and 2014, of which 1,341 are to be delivered in 2012.

2,800
bed places secured in London

Dividend

In light of the Group's encouraging progress and the generally positive outlook for the business, the Board intends to reinstate a dividend during 2011. Any dividend is likely to represent between one quarter and one half of NPC, with the first payment likely to be confirmed with the Group's half-year results. No dividend is proposed for 2010.

Financing

The Group has made excellent progress over the past two years in extending, restructuring and replacing debt facilities both on and off balance sheet. Although it has very few near-term maturities and plenty of headroom against covenants, the Group has proactively sought to engage with lenders to ensure an appropriate debt structure in the medium term both for itself and its various co-investment vehicles. As a result of this and the continued support of a broad range of lenders, during 2010 the Group arranged £200 million of new facilities and extended or restructured a further £120 million of borrowings. We will continue this approach of proactive engagement to liability management throughout 2011, well ahead of debt maturities, ensuring appropriate integration with the Group's underlying asset management strategies.

In addition to enhancing the Group's debt structure, we also intend to develop a clear strategy to replace, restructure or extend the Group's various joint venture vehicles. Working in conjunction with our joint venture partners, finalising this strategy will be a priority for 2011.

People and operations

Within our organisation we have made a number of important changes, improvements and appointments which will ensure our employees are able to provide the highest levels of customer service. Continued improvements to our online booking system, refocused marketing activity and renewed accountabilities for our city-based staff have improved our service levels and our working environment.

We have put our business units at the heart of our planning and resourcing processes, brought our maintenance business back in house, strengthened our operating teams and have made three new appointments to our leadership team. Perhaps most significantly, with the appointment of Professor Sir Tim Wilson to our Board of Directors, we now have additional senior expertise from the Higher Education sector at a time of considerable change for UK universities.

UNITE Modular Solutions ('UMS')

After a disappointing start to the year our modular construction business, UMS, scaled up production in the latter part of 2010 and has secured a number of external contracts for the year ahead, most notably in the budget hotel sector, and is reporting a healthy pipeline of other opportunities. Overall for 2010, UMS recorded a loss of £4.8 million, of which £4.6 million arose in the first half of the year, meaning that the facility was close to break-even in the second half. Taking into account this improved level of activity, we expect losses at UMS to narrow substantially and for the business to be marginally cash positive in 2011, although production will again be skewed to the second half of the year. With the viability of UMS's proposition proven externally and market conditions improving, the Group intends to review its ownership stake in the business in the short to medium term.

Outlook

In recent years the Group has made timely and effective improvements to its capital structure and operating platform. These changes have contributed to a resilient performance in the recent challenging economic times and also leaves the Group well placed for sustainable growth.

UNITE has a portfolio that is well positioned for continued rental growth, a well funded and attractive development pipeline that will add significantly to earnings in future years, financial capacity to add to this pipeline and carefully considered plans to grow the business further. 2010 has been an excellent year for UNITE and as we continue to work with our partners in the sector we look forward to 2011 and beyond with confidence.

Phil White
Chairman
2 March 2011

Business review

Our market

Over the past three years as many as 160,000 applicants each year have been unable to secure a place meaning that not only is there not enough accommodation for those who get a place, there are not enough places for those that want them.

160,000
applicants fail to get a university place

Overview

Since the early 1990s UNITE and the student accommodation sector as a whole have benefited from rapid growth in student numbers, driven by a combination of demographics, Government policy and international student demand. This, coupled with the relative lack of capital available to universities to meet the housing needs created by this surge in demand, resulted in a structural demand/supply imbalance in almost every university town or city.

Today this structural shortage of accommodation remains evident in many major university towns and cities and whilst UNITE does not expect the growth in student numbers to be significant over the next ten years due to a variety of factors explained below, this structural shortage and the latent demand for UK Higher Education (evidenced by the excess of undergraduate applications over available places) means that demand for well managed, well located student accommodation will remain strong.

Student numbers grew once again in 2010, largely as a result of the Government's decision to fund an additional 10,000 undergraduate places. Looking forward the Group expects underlying demand for UK Higher Education to remain strong, but resultant growth in student numbers to be limited by a combination of funding constraints, university capacity and immigration controls. UNITE is forecasting student numbers to remain flat over the next five years and therefore expects growth opportunities to be strongest in those towns and cities where the current structural shortage of accommodation remains most significant. This is the principal reason for the Group's continued focus in London.

UNITE considers the flat growth assumption to be prudent and robust but it is also important to acknowledge the extent of unsatisfied demand for UK university places. Over the past three years as many as 160,000 applicants each year have been unable to secure a place meaning that not only is there not enough accommodation for those who get a place, there are not enough places for those that want them.

Demand characteristics

The Group's research and understanding of market dynamics suggests that the student demographic will continue to evolve, with more mature and part-time students applying for university places, and international student numbers remaining strong.

The increased debt burden on future students is likely to lead to changing patterns and behaviour, most obviously in terms of where students decide to study. However, there are several factors which suggest student demand for UNITE's product will remain high, namely the continued growth in non-EU student numbers (who are not affected by the funding changes) and the Group's business model and market positioning, with properties located in strong university cities across the UK and a core customer base that is the least likely to be affected by increased tuition fees.

John Tonkiss Chief Operating Officer
Mark Allan Chief Executive
Phil White Chairman
Joe Lister Chief Financial Officer

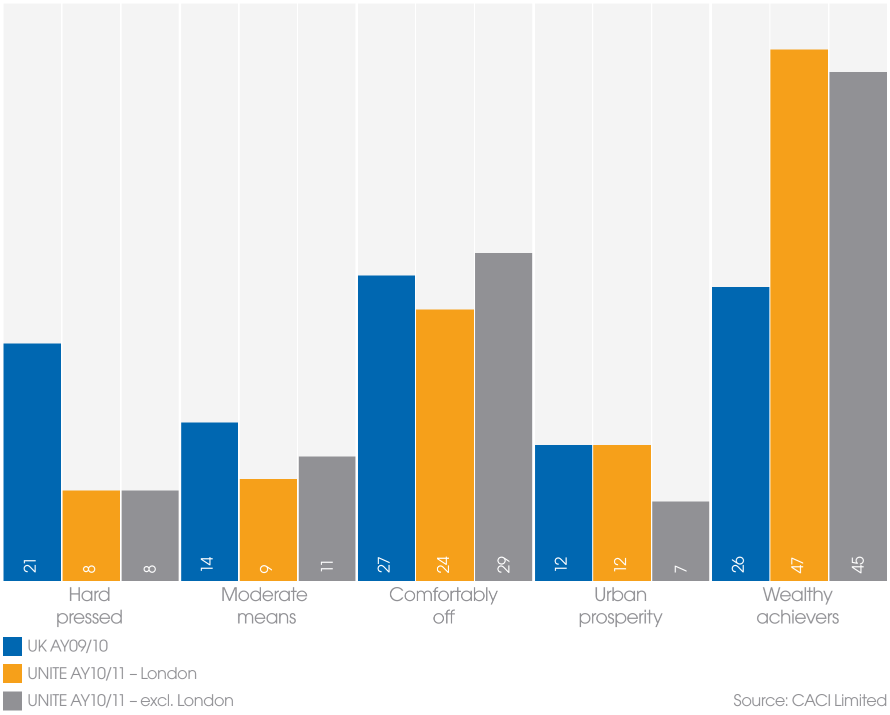
46% of UNITE's customer base is international (rising to 70% in London) and, of the Group's UK customer base, over 45% come from the most affluent backgrounds. UNITE considers that both of these market segments will prove resilient to the increasing cost of university education.

Notwithstanding the anticipated resilience of UNITE's core customer base, the Group also sees an attractive opportunity to develop an accommodation product at a lower price point in London. This will be focused on those London locations which are outside Zone 1 but still offer direct, fast access into Central London.

46% of UNITE'S affluent customer base is from outside the UK and this figure rises to 70% in London.

46%
of UNITE customers from outside UK

Profile of UNITE UK students %



Source: CACI Limited

Supply characteristics

There was limited new stock brought to the market in 2010 with UNITE delivering 1,100 new beds out of a total of approximately 5,000 across the UK. This follows a period of relatively limited supply in 2008 and 2009 when approximately 9,000 beds were delivered in each year of which UNITE built a third. Whilst there has been some increase in development activity in 2010, predominantly in London, it is doubtful that net new supply will increase meaningfully over the next few years. The combination of limited capital availability, a challenging planning environment and the unviable nature of many existing consented schemes creates a powerful constraint on new supply for many private providers. Indeed, much of the increased activity in London is characterised by new entrants to the market pursuing a finite number of sites where planning consents are already in place or expected. The Group does not see this activity increasing new supply above its existing estimates.

Furthermore, with university capital budgets under significant pressure for the foreseeable future, it is expected that only limited funding will be available for new capital projects. Alongside this, the age of existing university stock could lead to functional obsolescence in some cases and we do not expect universities to account for net increases in accommodation supply for the foreseeable future.

Changes to funding

During 2010 significant changes were announced to future funding structures for the Higher Education sector. The outcome of the Government-commissioned Browne Review into university funding was a vote in favour of raising the cap on tuition fees from £3,275 to as much as £9,000, from the start of the 2012/13 academic year. This additional revenue will go directly to universities, mitigating much of the impact of planned cuts to teaching budgets, while graduates will only start repaying the Government-provided loans for these fees when they are earning a salary of at least £21,000 per annum.

These changes build on the introduction of fees in 1998 and the subsequent increase in 2006. UNITE has continued to monitor and respond proactively over time to the implications of these changes on the market, and believes that its growth strategy is fully aligned with the changing nature of the sector. The policy developments have highlighted the importance of maintaining effective relationships with UK universities, and of understanding and anticipating the

Business review
continued

drivers of student behaviour and choice. UNITE's track record of investing only in central locations in the strongest university cities and developing long-term relationships with those universities underpins the resilience of its long-term business model.

Development and investment market

Land prices have been relatively stable during 2010 as the market continues to emerge from the effects of the recession, and this has allowed UNITE to make good progress building its development pipeline at an attractive return on cost. The Group is also continuing to see opportunities to acquire additional sites in line with return hurdles. Furthermore, given the continuing shortage of development finance, UNITE is comfortable that these opportunities will remain available for the next six to nine months in London, during which time it expects to secure the remainder of its target pipeline, and for a longer period outside London where the Company believes that land prices will take more time to recover. Build cost inflation remains relatively benign although we expect some upward pressure towards the end of the year.

Strong demand for USAF units in the secondary market.

£30m
USAF units traded in last 12 months

In the investment market, activity has picked up in 2010 with investor appetite for student accommodation being strongest for prime assets throughout the year, most notably assets in London and/or those subject to university agreements. The Group has also seen good demand for USAF units in the secondary market, which offer diversified direct let exposure. Approximately £30 million of units were traded in the last 12 months at a small premium to NAV. UNITE expects this demand for prime assets and diversified direct let exposure to continue to be a feature in 2011 whilst also anticipating increased activity driven by lenders with highly leveraged exposure to the sector.

We are confident that the Group's strategy positions it to benefit from the combined impact of these market factors. Our strategy aims to capitalise on the Group's market-leading position, national presence and stable operating platform as a basis to grow sustainable profits whilst also focusing its new capital investment on selective developments in London and other high growth markets that will further boost future earnings.

Our business

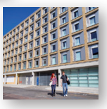
Proactive asset management

Operating portfolio

The Group is operating 39,739 beds across 131 properties for the 2010/11 academic year and has delivered rental growth of 3.1% on a like-for-like basis and occupancy of 97%, compared with 9.7% and 96.5% respectively in 2009/10. At the end of February 2011, reservations had been received for 62% of the portfolio, up from 59% at the same time a year earlier, reflecting a successful re-booking campaign and further improvements to the customer service platform. From this encouraging start and the record level of applications to study in September 2011, the Group remains confident that rental growth for 2011/12 will be similar to last year.

Following the release of the Browne Review and the Higher Education Bill, the need to provide high levels of customer service and value for money will become increasingly important. During 2010 the Group fully embedded its new operating model following the implementation of major changes in 2009. A change programme of this scale and nature inevitably required a small period of adjustment to ensure the operating model worked as designed and these challenges have been successfully addressed. The Group has entered the 2010/11 academic year with its operating platform delivering good quality customer service on a consistent basis.

Great Suffolk Street
London



The Group's maintenance operation has been brought back in house and integrated within its property management operations. Disruption to the supply chain and service levels were successfully contained and following a systems upgrade the maintenance operation is well placed to improve its service further whilst maintaining costs in line with previous levels.

UNITE has also recently signed a contract with the London Organising Committee of the Olympic Games ('LOCOG') to provide around 3,600 rooms in support of the 2012 Olympics for a period of eight weeks over the summer next year. UNITE will be offering its customers leases of 42 weeks on the rooms being taken by LOCOG for the 2011/12 academic year. The positive profit impact of the LOCOG contract will become clearer as operational plans are finalised and the Group will provide more clarity on this later in 2011.

Property portfolio

The valuation of the Group's investment portfolio as at 31 December 2010, including its share of gross assets held in USAF and joint ventures was £884 million (31 December 2009: £929 million) following the sale of £146 million assets to USAF, the completion of the development assets in the joint venture with Oasis Capital Bank (UNITE's share being £45 million) and increases in the value of the portfolio amounting to £32 million. The Group's development assets have been independently valued at £138 million, which includes £25 million of valuation gain that is included in adjusted net assets but not recognised in the IFRS reported net asset value.

Breakdown of property portfolio

		31 December 2010			31 December 2009		
	Average NOI yield	Wholly owned £m	Share of JVs £m	Total £m	Wholly owned £m	Share of JVs £m	Total £m
London	6.25%	162	172	**334**	245	113	**358**
Major provincial	6.5%	204	179	**383**	259	155	**414**
Provincial	6.75%	127	40	**167**	121	36	**157**
Investment portfolio		493	391	**884**	625	304	**929**
Development		138	–	**138**	39	31	**70**
Property portfolio		631	391	**1,022**	664	335	**999**
Total beds		8,267	31,472*	**39,739**	10,150	28,112*	**38,262**

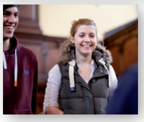
*Includes 4,397 leased beds.

In recent years, the Group has pursued a clear strategy to increase the proportion of its capital invested in London and other strong markets which offer the best combination of resilience and growth potential. As a direct result of this strategy, at 31 December 2010, 38% of UNITE's investment portfolio was in London compared with 19% at December 2007. Following the completion of its secured pipeline, set out below the proportion of the Group's assets in London will increase to approximately 50%, assuming that the new assets are retained.

The Group has also made progress stabilising its 2008 and 2009 openings, reducing its brought forward stabilising assets from £191 million at 31 December

Phoenix Court
Bristol

Case study
New Carnegie Court



Committed to improving student experiences

Integrating New Carnegie Court into the University campus by engaging with students and the community members

Case study
New Carnegie Court

Students
Universities
Employees
Investors
Communities

In 2008, UNITE added New Carnegie Court, a 520 bed building, to Aberdeen University's (UoA) Hillhead campus. We operate the building, which sits within UoA's accommodation portfolio, and the university manages tenancy agreements directly with students. Our challenge was to seamlessly integrate our new property into UoA's existing campus infrastructure so that all students have the same experience, no matter where they live on the site.

Our local team have approached this by building a true partnership with UoA and the local community. They hold weekly and monthly meetings with the University's operations teams, and there is daily contact between UNITE's security operatives and the university's 24-hour porters desk to foster a safe environment for students. Welfare support for New Carnegie Court residents is provided by the UoA team and the university's Student Association assist the UNITE team with checking students in and out.

As a responsible landlord, we ensure that all our students are fully supported by the local emergency services and work with Grampian Fire and Rescue and the local police force, to run operational exercises with them in our properties. We liaise with several community groups including the nearby St Gerrard Street Church, making residents aware of its non-denominational student group. They, in turn, provide tea and cakes as part of New Carnegie Court's welcome event.

UoA and UNITE enjoy a strong relationship which relies on trust and support to deliver a strong customer focused approach – New Carnegie Court students get the best of both worlds.

520
new beds for Aberdeen University

Business review
continued

At the end of February 2011, reservations had been received for 62% of the portfolio, up from 59% at the same time a year earlier, reflecting a successful re-booking campaign and further improvements to the customer service platform.

62%
reservations up from 59% in February 2010

2009 to £109 million at the year end. UNITE's share of the assets completed in 2010 in the Oasis Capital Bank ('OCB') joint venture add a further £45 million to the stabilising portfolio. Stabilising assets typically generate two-thirds of the stabilised level of net operating income.

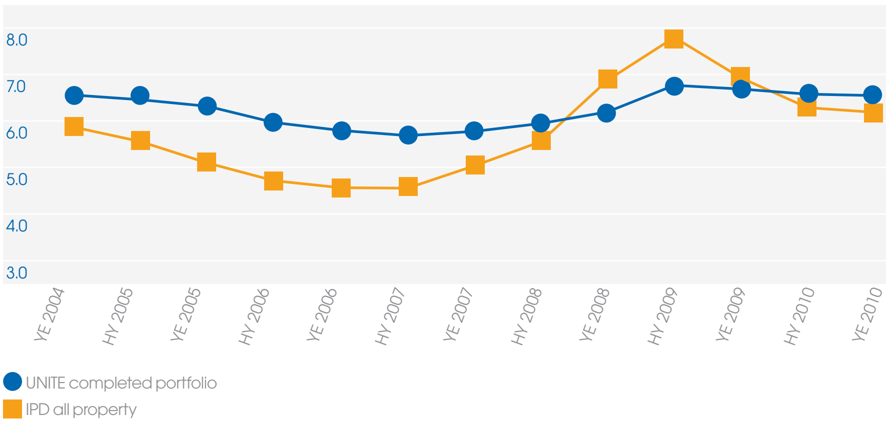
Rental growth was the main driver in the growth of the investment portfolio valuation. After the expansion of yields in 2009 from 6.2% to 6.7%, property yields on student accommodation were broadly stable during 2010 and averaged 6.6% across UNITE's portfolio at the year end (31 December 2009: 6.7%) following a movement of 13 basis points, the majority of which was seen in the first half of the year.

The Group completed the refurbishment of six assets in 2010 with UNITE's share of capital expenditure amounting to £3 million, and will extend this programme into 2011 and beyond to enhance the quality of the portfolio and contribute to further uplifts of value in the future.

The following graph compares the yields on UNITE's completed portfolio and the IPD All Property Yield over the last few years and demonstrates the relative stability of UNITE's yield as a result of the sustained high occupancy levels and the year on year rental growth achieved.

Historic NOI yields

UNITE vs IPD All Property Net Initial Yield %



In common with the commercial real estate market, there was a recovery in the level of transactions in 2010 with investor appetite for student accommodation strongest for prime assets. Assets located in London and/or with university agreements have traded at yields 50–75 basis points lower than for provincial direct let assets, typically being sold to institutional funds or private family trusts. Whilst a number of smaller funds have acquired direct let assets, USAF appears to remain the favoured route for institutions to gain access to direct let stock. We anticipate that the market will become more liquid as banks start to tackle their de-leveraging requirements over the next few years. This may present opportunities for USAF or UNITE to acquire further stock at attractive prices.

Targeted development activity
Development

The Group has a total secured pipeline of 4,070 beds as shown below. Importantly, all of the 2012 schemes now have planning consents and funding in place, which provides greater certainty over the delivery of future uplifts in net asset value and profitability.

The Group is on track to deliver 1,277 beds in 2011 on time and to budget. The four sites, located in London, Reading, Glasgow and Manchester will be open for occupation in September 2011.

38% of investment portfolio in London compared to 17% in 2007.

38%
London investment portfolio

Development pipeline

	Beds	Total completed value £m	Total development cost £m	Capex in period £m	Capex remaining £m	NAV remaining £m	Yield on cost %
2011	1,277	100	85	36	26	6	8.3%
2012	1,341	172	127	37	90	29	9.2%
2013–14	1,452	152	118	–	118	34	9.0%
Total	**4,070**	**424**	**330**	**73**	**234**	**69**	**9.0%**

Taken together, the deliveries in 2011 through to 2014 demonstrate the progress made by the Group in deploying capital it raised from shareholders in 2009. The Group's estimated built-out NAV shown below highlights that it has more than sufficient cash to complete its secured development pipeline and maintain gearing within its strategic target of 100–130%. The secured pipeline is expected to add approximately £69 million of future NAV (43 pence per share) based on independent valuations and £14 million of NPC assuming plans are achieved.

Estimated built-out NAV

	31 December 2010 £m	Development pipeline £m	Built-out £m
Property	631	303	934
Share of JV's adjusted net assets	172	–	172
Cash headroom (equity)	83	(39)	44
Borrowings	(418)	(195)	(613)
Net debt	(335)	(234)	(569)
Other	6	–	6
Adjusted NAV	474	69	543
Adjusted NAV per share	*295p*	*43p*	*338p*
Adjusted gearing	*71%*		*105%*

In addition to the above, the Group is confident of deploying its remaining capital into selective development opportunities in line with plan over the next six to nine months. Beyond that, we intend to invest an additional £100 million to £150 million into further development opportunities over the next two to three years, to be funded from the proceeds of disposals to a similar value over the same timeframe.

The three 2010 schemes developed through the joint venture with OCB, comprising 1,129 beds, have been successfully delivered within budget and on time for the start of the 2010/11 academic year. The schemes are 90% let for the current academic year and occupancy and rental levels are expected to stabilise over the next 12 to 24 months.

Affordability of accommodation is likely to be an increasingly important factor in our market in the coming years. As a result, UNITE has and will continue to target its development activity towards locations and products that meet this demand. Approximately 1,500 beds of the 2012–14 pipeline are focused on a lower rent offering and have been appraised at rents of less than £150 per week (based on 2010/11 prices which is around 20% below the current market average.

Development funding

The Group has continued to make good progress with its lenders to secure funding for its 2011 and 2012 pipeline, through a combination of existing and new facilities. The Group also has sufficient capacity in its existing facilities to build out the secured pipeline of 2013/14 developments. Further funding will be required to acquire and build additional schemes, but given the progress made with banks over the last two years the Group remains satisfied that it can secure new debt on terms in line with plan.

UNITE Modular Solutions

UMS, which manufactures and installs lightweight steel frame modular bedrooms into many of the Group's developments, has been an important part of the Group's development success given its ability to provide greater certainty over delivery time and quality, which was critical during the Group's period of rapid growth. However, with the Group's decision to scale back development in recent years, together with the wider slowdown in construction activity, production volumes were low in 2010 and the facility has been operating well below capacity. As a result, it made a loss of £4.8 million in 2010 (2009: £1.1 million) which is included in the Development Segment loss. Production volumes did however recover in the latter part of 2010 and losses for the second half were substantially below those for the first half at £0.2 million.

Case study
Waterloo Road

Minimising disruption to the community

Helping our neighbours by addressing their concerns and significantly reducing the impact of our construction activity.

Case study
Waterloo Road

Students
Universities
Employees
Investors
Communities

In 2008, UNITE sought planning permission from the London Borough of Southwark to redevelop offices at 268-282 Waterloo Road into accommodation for 146 students. Our research showed that the central London location would be popular with students; however, the area had undergone a lot of development, and our plans faced opposition from the local community who were concerned about construction noise, disruption and potential social and economic implications of having students as neighbours.

We consulted the community at depth with a public exhibition, a series of newsletters and meetings with local residents and business groups. By listening to the community's concerns we were able to adjust our plans, advise on what measures would be in place to avoid disruption, and highlight the importance UNITE places on the long-term management of its properties. We also shared research conducted with UNITE residents in North London which showed that 74% of our students feel they have a positive impact on their local area through the use of local shops, easing pressure on housing and a willingness to volunteer when given the opportunity.

Planning consent was granted and the Waterloo Road will be completed for the 2012 academic year.

Throughout the build we have been working closely with the community to keep them informed about our approach. Taking into account the community's concerns over build time, noise and nuisance factor, we are increasing the use of the UNITE's bespoke Modular System so that up to 70% of the construction will now be undertaken offsite, allowing the build to be completed within 48 weeks. Waterloo Road joins three other operational UNITE properties in Southwark, and brings our investment in the Borough to over £165m.

74%
of residents feel that students have a positive effect on the local area relieving pressure on local housing

£165m
invested into Southwark supporting Universities in the borough

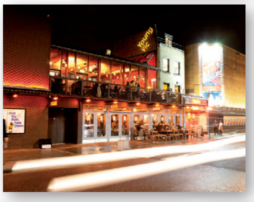





National

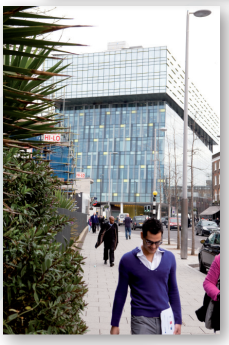









UNDERGROUND

South Bank
Tate Modern
Globe Theatre





Business review
continued

The secured pipeline is expected to add approximately £69 million of future NAV (43 pence per share) and £14 million of NPC.

£69m
future NAV from secured pipeline

The outlook for 2011 is more positive. So far this year, UMS has secured two external contracts to build modules for Travelodge hotels and is in advanced discussions to secure a number of other external contracts. UMS will also supply approximately 800 modules to UNITE for its 2012 pipeline taking its forecast production to 1,800 modules for 2011 compared to 1,100 for 2010. Demand will again be seasonal with revenues anticipated to be much higher in the second half than the first. Year on year performance at UMS should, however, be materially better.

Our financial position

The Group has delivered growth against each of its key financial targets in 2010 with a £3.5 million improvement in net portfolio contribution and an 11% growth in adjusted net asset value per share (fully diluted). This positive performance has been driven by an improvement in occupancy rates and further rental growth, which increased the value of the investment portfolio. In addition, the Group has recognised development profits from some of the new developments that it has added to its pipeline. As expected, the yield compression that has been

The Group has delivered significant growth in profits over the past three years.

£4.1m
Net Portfolio Contribution in 2010

The Group reported an adjusted profit for the year of £2.4 million (2009: adjusted loss of £28.7 million). The difference between NPC and the adjusted profit/loss is largely the impact of the Development Segment. The key components of the Development Segment are pre-contract costs of £3.2 million which are up from £0.7 million in 2009 due to the increase in development activity, losses at UNITE Modular Solutions of £4.8 million as a result of its surplus capacity, and profits generated from the sale of assets to USAF, net of write-downs of trading assets, amounting to £6.9 million.

Adjusted profit

	2010 £m	2009 £m
Net portfolio contribution	**4.1**	0.6
Development pre-contract costs	**(3.2)**	(0.7)
UMS losses	**(4.8)**	(1.1)
Development trading profits/write-downs	**6.9**	(15.3)
Restructuring costs	**–**	(3.0)
Loan and swap break costs	**–**	(9.6)
Other	**(0.6)**	0.4
Adjusted profit/(loss)	**2.4**	**(28.7)**

On an IFRS basis, which includes property and interest rate swap valuation movements, the Group reported a profit of £19.6 million attributable to UNITE shareholders, compared to a loss of £34.9 million in 2009.

Balance Sheet

Adjusted net asset value has increased to £474 million or 295 pence per share at 31 December 2010, up from £423 million or 265 pence per share at 31 December 2009. The growth in value has been driven by rental growth on stabilised properties of 3.1% in the year and value added to the development pipeline from planning consents received and construction progress across the pipeline.

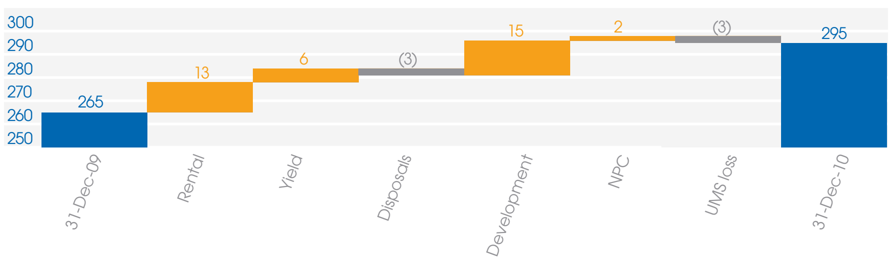
Reported net asset value, which includes interest rate swap values and some properties at cost, attributable to UNITE shareholders was £388 million at 31 December 2010 (31 December 2009: £366 million).

The main factors behind the 30 pence per share growth in adjusted net assets were:

- The growth in the value of the Group's share of investment assets as a result of rental growth and yield compression (+19 pence per share);
- The value added to the development portfolio after pre-contract costs (+15 pence per share);
- The loss on disposal of land, non-core assets and other investment assets (–3 pence per share);
- The positive impact of net portfolio contribution (+2 pence per share);
- The impact of UMS losses (–3 pence per share).

NAV Bridge

Pence per share



Adjusted gearing at 31 December was 71% compared with 92% at December 2009 and 131% at December 2008. Adjusted net debt (excluding mark to market valuations) fell to £335 million at 31 December 2010 compared to £390 million at 31 December 2009 as a result of the sales to USAF in November 2010.

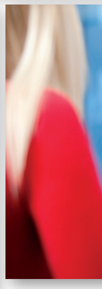
Case study
Leeds

Ensuring a safer environment for our residents

Working closely with Leeds Metropolitan Police and the city's Universities to safeguard students.











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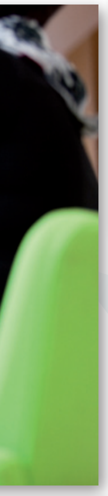


Case study
Leeds

Students
Universities
Employees
Investors
Communities

It is an unfortunate reality that students can be a target for crime and all UNITE properties have security teams in place who work closely with the emergency services in the event of an incident. In Leeds, our security team has become a lead partner for the University and Metropolitan Police's 'Police Walk Safe' campaign to combat crime against students.

'Police Walk Safe' identifies and combats known crime 'hot spots' by increasing patrols in these areas. Our security team has provided training for Community Support Officers to pass on our experience of working with students and maps out the areas the UNITE team covers so that the police authority can make the best use of its resources. Our security operatives also support the police and local authorities during Fresher's Week to safeguard students and the wider community.

The success of 'Police Walk Safe' has helped us form a close partnership with the universities in Leeds and we sit on the University Crime Prevention Committee to assess the security needs for the city's students. The UNITE security team has been commended by the Inspector of the Neighbourhood Policing Team and we are recognised as professional body within the community that can assist with crime prevention and creating safer environments.

Our Leeds team is exchanging best practice with other UNITE city teams and helping us develop similar relationships with Universities and local police authorities across the country.

3,137
completed beds in 2010/2011 in Leeds

Business review
continued

Adjusted Net Asset Value has increased to 295 pence per share (2009: 265 pence per share)

11% increase
in adjusted Net Asset Value

Going forward, UNITE will continue to manage gearing towards the lower end of its strategic range of 100–130%. The Board is satisfied that this target level of gearing, which is above that of many other listed real estate companies, is appropriate for UNITE's business. Student accommodation valuations have historically been significantly less volatile than those for general commercial property; for example, they only fell by approximately 13% during the financial crisis compared to a wider fall in commercial property values of 44% over the same period. Consequently, the Board believes that UNITE's portfolio is able to support a slightly higher level of gearing than other commercial real estate companies.

Financing

By working closely with its banking partners, UNITE has been able to make significant progress against its core financing objectives of extending debt maturities and securing new development finance.

The Group and its co-investment vehicles secured over £65 million of new development facilities and £135 million of new investment debt in 2010 of which £75 million was from new lenders. Importantly, the Group has also extended the maturity of £120 million of existing facilities. UNITE is continuing to see the benefits of working closely with key relationship banks who have continued to place great importance on the UNITE brand and track record of delivering schemes on time and to budget, and stabilising assets in the first 12 to 24 months of operation, together with its strong balance sheet.

In doing so, the Group has reduced the level of refinancing requirements in 2013 and 2014 from £360 million to £260 million and demonstrated its ability to continue to access appropriate forms of funding. Looking forward, the Group and its co-investment vehicles will continue to focus on extending debt maturities and will look to structure longer term facilities around core property holdings to provide greater certainty over funding arrangements.

Key debt statistics

	31 December 10	31 December 09
Group net debt (adjusted)	**£335m**	£390m
Adjusted gearing	**71%**	92%
See-through gearing	**115%**	133%
Weighted average cost of investment debt	**6.8%**	6.6%
Proportion of investment debt hedged	**97%**	75%
Interest cover	**1.6**	1.6
Adjusted net debt to property assets	**53%**	59%

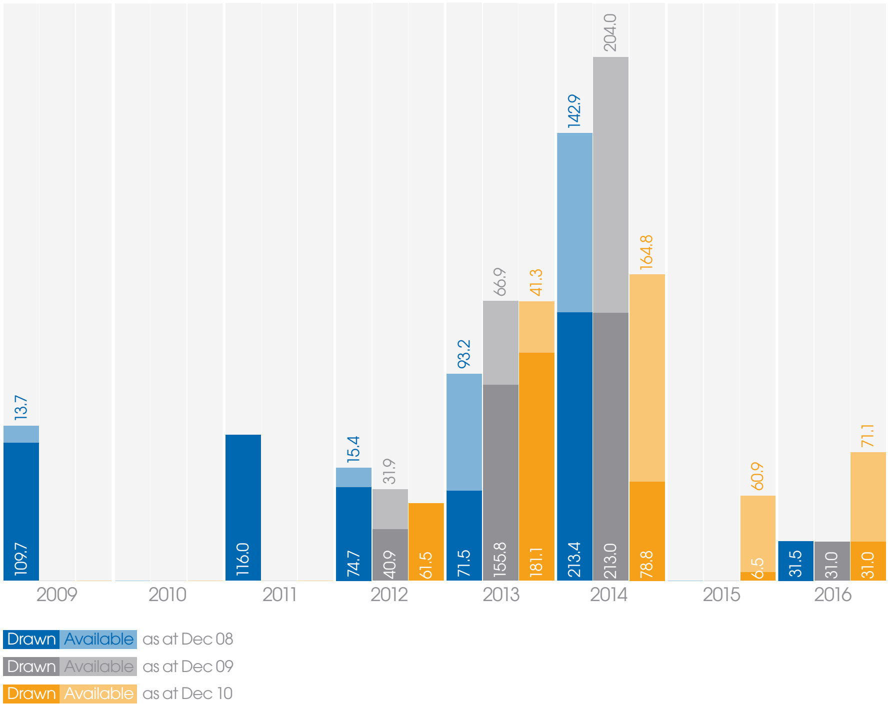
The Group continues to use surplus cash to pay down borrowings in order to maximise savings on interest. As at 31 December, the Group had a total of £60 million of cash being used to pay down unconditionally committed facilities that can be drawn. Taken together with its cash balances, this provides an effective cash balance of £83 million.

The weighted average cost of debt has increased in line with the increase in proportion of investment debt hedged, which has risen following the sale of assets to USAF and the decision to pay down floating rate debt in order to avoid crystallising swap mark to market losses.

The following chart sets out the debt maturity profile of the Group's facilities and shows the progress that has been made over the past three years in reducing the quantum of debt maturing between 2011 and 2014. The chart highlights the £100 million reduction in debt maturing in 2013 and 2014 being replaced by additional capacity in 2015 and 2016. UNITE will continue to work with banks and other providers of debt finance to extend and structure debt in line with asset strategies.

Debt maturity profiles

Drawn and available £m



The Group, including its co-investment vehicles, is in compliance with all of its debt covenants at 31 December 2010.

Co-investing asset management

UNITE acts as co-investing manager of four specialist student accommodation vehicles that it has established as outlined in the following table.

Funds/Joint Ventures

	Property £m	Net debt £m	Adjusted net assets £m	UNITE share £m	UNITE share	Average NOI yield
USAF	1,231	(574)	636	104	16%	6.7%
UCC	380	(247)	127	38	30%	6.3%
OCB	180	(97)	78	20	25%	6.3%
USV	63	(41)	19	10	51%	6.8%

Working with our joint venture partners, the Group is placing a strong focus on finalising a long-term strategy to replace, restructure or extend its joint ventures to complement its own growth strategy. Finalising this strategy will be a priority in 2011.

UNITE UK Student Accommodation Fund

USAF generated a total return of 11.2% in 2010, ranking it as the third best performing fund in the IPD Index for Pooled Funds measured over a three year period. The Fund acquired a £25 million asset from a third party in August and a portfolio of £146 million from UNITE in November at an average yield of 6.4%. The Fund is likely to make further selective acquisitions whilst managing its gearing at or around its current level of 50% loan to value. The market for USAF units through the secondary market has continued to develop with approximately £30 million of units traded during the year at an average premium of 2% to net asset value. There have been no requests for unit redemptions.

There has been no material movement on the recovery of the Landsbanki deposit. Whilst USAF has been confirmed as a Priority Creditor and therefore should recover the majority of its deposit, the Resolution Committee that is overseeing the bank has taken longer to determine the status of many creditors and is currently facing a number of 'test' legal cases in the Icelandic Courts. Given the timing and uncertainty as a result of the test cases, the deposit remains fully provided for.

Business review
continued

A total return of 11.2% in 2010 for USAF

3rd
best performing fund in IPD index

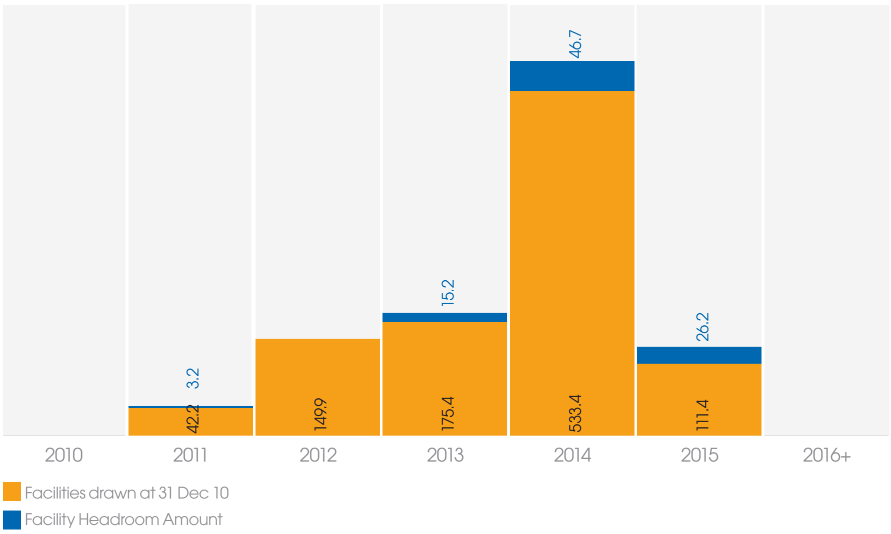
UNITE Capital Cities Joint Venture
UCC generated a total return of 8.4% in 2010. UCC has fully invested all of its equity and will continue to focus on the operation of its investment assets and any asset management opportunities within its estate. As the vehicle matures in 2013, UNITE and GIC Real Estate, its joint venture partner, are beginning to consider the most appropriate future strategy for these investments.

Oasis Capital Bank Joint Venture
The three schemes in the joint venture comprising 1,129 beds were successfully completed within budget and are 90% occupied for the current academic year. The joint venture is focused on ensuring that the assets reach stabilised rental and occupancy levels over the course of the next 12 to 18 months.

UNITE Student Village Joint Venture
USV, which owns one building in Sheffield, is a joint venture with Lehmans Brothers which is now in administration. The administrators have indicated that they intend to continue holding their 49% share in the joint venture whilst an exit strategy is formulated. Whilst the joint venture agreement technically matured in 2009, any termination is subject to the pre-emption provisions in the agreement.

Debt facilities in co-investment facilities
The co-investment facilities have adjusted net debt to property assets of 54%. The 2011 facility maturities relate to a single facility in each of our USV and OCB joint ventures and the Group is comfortable that acceptable terms to extend or replace these facilities will be available.

Debt maturity profile £m



Tax
The Group paid £0.3 million tax in 2010, primarily on profits from USAF. The Group anticipates tax charges will remain low in 2011 and 2012 as only this element of profits is likely to result in a tax charge.

Resources and relationships
UNITE's financial and operational performance has been underpinned by the core systems, processes and approaches developed and fine-tuned over the years. In 2010 the Group upgraded its unique online booking system, which facilitated the check-in process for the largest number of students in the Company's history during September. The data maintained on this system provides UNITE with a comprehensive insight into the make-up of its customer base which enables tailored improvements to the Group's product and service offering.

The strength of the UNITE brand and the Group's reputation for financial stability has further consolidated its position in the market, both in terms of the capacity to raise capital (the £67 million debt facility agreed with Barclays for our Moonraker Alley development was the largest facility of its type approved by the bank during the year), and success in working with planning authorities to receive consent for new and complex development schemes (such as Waterloo Road in Southwark, which achieved consent in only six months).

Through close relationships with several key banks, the Group has also been able to improve its debt maturity profile and refinance existing debt facilities at competitive rates.

USAF acquired a £25 million asset from a third party in August at an average yield of 6.4%. The Fund is likely to make further selective acquisitions whilst managing its gearing at or around its current level of 50% loan to value.

£146m
USAF portfolio acquired from UNITE in Nov 2010

While the collapse of Connaught caused some initial difficulties for our maintenance business, UNITE was very quickly able to assimilate a new team within the Group and derive immediate and sustainable synergies to improve maintenance performance. This in-house capability will provide even closer alignment of service functions with the Group's customers.

Undoubtedly the Group's greatest resource is its staff; UNITE has a vibrant, passionate and committed workforce, and works hard to develop and retain its people. The Company's employee engagement figures are measured independently and compare extremely favourably with similar organisations, and a number of activities delivered through the year raised levels of capability and motivation yet higher.

Central to the Group's long-term vision is to create a business which meets and exceeds the expectations of its key stakeholders. Throughout 2010, UNITE has placed a stronger focus on understanding the challenges and needs of students, universities, employees, communities and investors to ensure it is able to work effectively with and provide value for each group.

Looking forward

It has been clear for some time that the next decade for the student accommodation sector will be very different to the last one. A more modest outlook for student number growth and a dramatically changed financial environment mean that the nature of opportunity in the sector will be quite different.

UNITE's strategy has tackled this effectively and as a result the Group is well placed, both operationally and financially, to prosper:

- It is on track to deliver its secured development pipeline of 2,800 beds in London over the next couple of years, which will be significantly accretive to both earnings and NAV;
- It has the capital, expertise and reputation to add to this pipeline further in 2011 with additional enhancements to earnings and NAV expected as a result;
- It has a well positioned portfolio focused on the strongest student locations that will deliver good sustainable annual rental growth (over 3% expected for 2011/12). Student demand for UNITE's product remains strong and capital constraints will limit the level of new competing supply;
- The portfolio offers attractive asset management upside through a combination of extension, refurbishment and reversion opportunities that can be realised in the medium term;
- The Group's brand, reputation and operational and financial position may offer other potential growth opportunities as the sector matures in the coming years.

Taking into account its strategy, its people and its track record the Group looks forward to the future with confidence.

Corporate responsibility

UNITE believes there is a responsibility for the Company and its employees to act professionally and responsibly at all times, and to have a positive impact on the communities in which the Company works, and society more broadly. It is also important that UNITE limits the impact its business activities have on the environment, finds ways to use resources more responsibly, and helps educate customers, partners and suppliers to do the same.

UNITE is involved at a corporate level in a variety of programmes which aim to ensure good "corporate citizenship" in everything it does.

UNITE employees are encouraged to understand and support these programmes, and many staff work with causes they are passionate about, engage with local community projects which are aligned with the Group's Corporate Social Responsibility (CSR) policy, and benefit from and contribute to an exceptional working environment.

UNITE offers a matched funding facility in which up to £250 will be paid to the individual to match money they raise, for whatever charitable cause.

£40,000

in company matched donations

UNITE programmes

The key elements of UNITE's CSR strategy can be divided into four areas.

1. Charitable donations and fundraising

At a corporate level our strategy is to support a small number of charitable causes which make a significant difference to two overarching objectives:

- Integrating students within local communities
- Widening access to higher education

We currently work closely with Students in Free Enterprise (SIFE), an international organisation that mobilises university students around the world to make a difference in their communities, while developing their skills to become socially responsible business leaders.

UNITE is evaluating several further opportunities to support these objectives with corporate funds.

At an individual level UNITE staff are encouraged to pursue fundraising activity which may have more personal resonance. UNITE offers a matched funding facility in which up to £250 will be paid to the individual's choice of charity to match money they raise. To date, UNITE has contributed £40,000 in matched donations to charities across the UK.

2. Employee welfare and development

UNITE offers and manages the following programmes:

- *One UNITE Employee Forum*: employee body which allows staff – through a group of elected representatives – to engage regularly with senior management and discuss issues of concern and interest.
- *L&D programmes*: a comprehensive series of training courses and development techniques, focused on both technical skills and leadership/management competences.
- *Engagement processes*: in addition to the Forum UNITE runs annual employee engagement surveys, and uses this data to drive further change across the business. (Engagement will also be the focus of further course content by the end of 2011.)
- *Working environment*: UNITE provides a variety of benefits and services to ensure employees are productive and motivated at work, and are able to achieve a healthy work/life balance.

£2m
invested in energy efficient infrastructures

3. Environmental impact and energy use

UNITE is committed to effective environmental management to support sustainable communities in which it operates. As a major user of utilities with over 130 buildings under management, UNITE takes its responsibility for sustainable living and its impact on the community very seriously.

UNITE measures and manages emissions by following the principles set out in the Green House Gas protocol. We are also monitoring and recording emissions for compliance with the Carbon Reduction Commitment scheme.

In 2010, the Group completed several initiatives, investing over £2 million, aimed at improving our energy efficiency. These initiatives focused on better management of heating and lighting systems across the estate. A comprehensive smart metering project was also undertaken that will see all electricity, gas and water consumption collected on a daily basis. This information will then be used to develop league tables which will aid the selection of future investment programmes. UNITE remain committed to sustainable development and operations, and are planning further projects to reduce energy consumption in 2011.

New developments continue to utilise a variety of technologies designed to reduce carbon emissions per bed, with schemes completed in 2011 using biomass boilers and combined heat and power to generate electricity on-site and make use of surplus heat to provide hot water.

Carbon emission summary 2010

The combination of more efficient new sites, and investment in improving the energy efficiency of existing sites has lead to a reduction in UNITE's per-room carbon emissions for residential properties.

Residences consumption (kWh)

	2010	2009
Residences gas	**17,990,821**	14,728,489
Residences electricity	**113,566,047**	107,893,505

Residences carbon (tonnes)

	2010	2009	% change compared with 2009
Residences gas per room	**0.09**	0.08	+12.5%
Residences electricity per room	**1.54**	1.57	–1.9%
Overall residential carbon per room	**1.63**	1.65	–1.2%

Internal consumption (kWh)

	2010	2009
Office gas	**490,761**	226,642
Office electricity	**275,870**	287,416
Manufacturing gas	**1,491,784**	1,755,454
Manufacturing electricity	**824,158**	1,206,585

Internal carbon (tonnes)

	2010	2009	% of total carbon emissions	% change compared with 2009
Office gas	**101**	46	10.1%	+119.6%
Office electricity	**149**	157	14.9%	–5.1%
Manufacturing gas	**306**	358	30.6%	–14.5%
Manufacturing electricity	**445**	660	44.4%	–32.6%

NOTE – Carbon emissions calculated using the latest GHG protocol conversion factors (source – DEFRA)

Corporate responsibility continued

Business travel 2010[1]

Business Travel	GHG scope	Distance km	Total CO_2 tonnes	% Change in CO_2 compared to 2009
Company cars	1	707,344.00	147.30	–10.7%
Private cars	3	397,968.40	82.88	+29.5%
		1,105,312.40	230.18	+18.8%

1 Compared to the total business travel from 2009 (including commercial vehicles).
If commercial vehicles are excluded from 2009 calculations, the % change is 18.4%.

Key: GHG Scope 1 – refers to direct emission which must be reported to comply with the GHG protocol.
GHG Scope 3 – refers to indirect emission which must be reported to comply with the GHG protocol.

Conversion factors comparison (kg/KWh)

	2010	2009
Electricity	**0.539**	0.547
Gas	**0.205**	0.204

KPI table

	Measures (no. beds, no. modules, 000km)	CO_2 Kg	KPI	% Change in CO_2 compared with 2009
Residential CO_2/bed	39,739	64,943,800	1,634.26	+2.4%
Manufacturing CO_2/module	1,045	750,557	718.24	–36.0%
Business travel CO_2/000km	1,105	230,180	208.00	+36.8%

4. Community impact and involvement

UNITE focuses on developing better relationships with local communities across all sites, in particular:

- *Emergency services*: sharing information and best practice, meeting regularly, minimising the impact of daily site operations on these services (e.g. reducing fire alarms, calls to police and ambulance)
- *Local authorities*: working with environmental health and other teams to ensure compliance with local targets and minimising impact on residents
- *Community groups*: regular meetings with residents' and other groups to maintain dialogue and resolve issues
- *Student integration*: working with our customers to find ways of ensuring they contribute positively to the local community

UNITE develops our relationships with local businesses, ensuring their needs and concerns are reflected in the way we plan, build and operate our buildings.

Finally, UNITE builds relationships with Planning Authorities, ensuring the Company is able to work productively on planning applications and other development activities. In addition, this team manages the construction process in line with best in class sustainability and noise reduction principles including BREEAM assessments.

Key performance indicators

Objective	Measure	Performance 2010	Performance 2009
To manage our assets effectively including the buying and selling of assets (see pages 16 and 17 of Business review)	**Adjusted fully diluted NAV per share added (pence per share)** This measures how much value has been added in the year to our balance sheet before one-off items (2010: £nil, 2009: swap and loan break costs, £10m: restructuring, £3m).	30	(33)
	Assets sales in period (£m) This measures the value of assets sold in the period including assets sold from our co-investing vehicles.	160	246
	Net portfolio contribution (£m) This measures the contribution of our investment and stabilising properties to the business.	4.1	0.6
To maintain a strong and profitable development pipeline (see pages 12 to 16 of Business review)	**Development NAV per share (pence per share)** This measure indicates how much value our development activities have added in the year.	15	(21)
	Secured pipeline (£m) This measures the value of our future secured development pipeline.	424	67
	Planning permissions secured This measure indicates how successful we have been obtaining planning consents on our secured schemes and is a key driver of value.	4	1
To manage the strength of our balance sheet (see page 20 of Business review)	**Adjusted net debt (£m)** This measures the net indebtedness of the business and our ability to generate cash and control expenditure.	335	390
	Adjusted gearing (%) This measures the net indebtedness of the business as a proportion of adjusted net asset value.	71	92
To manage Funds/JV's efficiently, maximising medium-term total returns and maintain investor support and trust (see pages 21 and 22 of Business review)	**Return on NAV** This measure indicates a measure of the combined capital and revenue returns from our major co-investing funds		
	USAF (%)	11.2	8.2
	UNITE Capital Cities (%)	8.4	(14.0)
To develop and retain high performing people, teams and leaders that live UNITE's values (see page 22 of Business review)	**Employee satisfaction (%)** Regular reviews carried out by independent agency to understand engagement.	66	62

Risks and uncertainties

The management of business risk is an inherent part of the Group's operations. A formal risk management process is operated within each business area involving the identification of risks and an assessment of the likelihood of them occurring, together with the impact that the event would have. Based on these assessments appropriate actions are planned to mitigate the risk. The most significant of these identified risks are managed at a Group level by the Leadership Executive and management's risk mitigation plans are reviewed and challenged at this level to ensure that the Group only retains exposures that are within its risk appetite. The Board reviews the risk assessments and risk mitigation plans on a periodic basis. The significant risks that have been identified through this process, together with their impact and mitigation are summarised below. The directors consider the principal risks are currently those in respect of; the short-term nature of tenancies, the risk of collecting rent, maturing joint ventures, expiring debt facilities and changes in Government policy.

Risk description	Impact	Mitigation
Development Management risks		
Failure to secure sites, construction contracts and/or development debt at attractive prices	Unable to generate returns in line with plans	Skilled development team and strong reputation. Focus on off-market transactions. Build strong relationships with financially robust lenders
Failure or delays in obtaining planning consents	Cost of aborted schemes. Delayed schemes impacting financial returns	Established planning expertise. Low financial investment in schemes prior to grant of planning
Delays in completion of construction in time for the start of academic year or cost over-runs	Reduced financial returns and cash tied up. Impact on reputation with customers	Strong track record and focus on project delivery and strong relationships with construction partners with appropriate risk sharing. Use of UNITE's unique off-site manufacturing modular technology, reducing delivery and cost risk
Property and Asset Management risks		
Risk arising from short-term nature of tenancies – occupancy and rents	Revenues are uncertain. Reduced lettings as a result of economic downturn	Geographic diversification. Supply/demand imbalance. Strong sales and marketing expertise
General cost inflation, in particular on the cost of utilities	Reduced return on investment portfolio	Forward purchase of utilities. Annual opportunity to increase rent to recover additional costs
Risk of failure to collect rent in austere economic conditions	Loss of cash revenue	Focus on affluent customer base. Strong debt collection procedures
Fund Management		
Ability to determine strategy of Funds/JVs not in line with Group strategy	Conflicts of interest	Established separate fund management function
Joint ventures mature without agreement for a satisfactory exit	Forced sales of properties potentially impacting price. Loss of management fees. Loss of market position in affected cities	Create indefinite life joint ventures such as USAF. Work closely with joint venture partners to agree mutually beneficial exit/extension strategies
Risk of being forced to sell properties if redemption requests cannot be met	Properties sold below valuation	Contractual limits on redemption rate in USAF. Proactive management of fund investors, equity raising and alternative sources of finance
Financing		
Liquidity risk	Properties may be difficult to sell, potentially impacting cash flow	Management of debt maturity. Control of future cash commitments
Adverse interest rate movements	Reduced profitability	Hedge exposure with interest rate swaps
Expiring debt facilities cannot be replaced or only at high cost	Possible forced sale of assets potentially leading to sales below valuation. Reduced level of profitability	Plan well in advance to extend/replace expiring debt facilitites
Breach of borrowing covenants	Debt becomes immediately repayable	Regular forecasting of covenant position. Proactive management of any potential issues
Filed tax position cannot be agreed	Time and cost of resolving disputes. Potential loss of equity funds in tax payments	Tax advice from leading professionals

Risk description	Impact	Mitigation
Market risks		
Changes in Government policy may affect student numbers and behaviour	May reduce demand and hence prices	Supply/demand imbalance is significant at present and customer based focused on affluent groups including overseas students. Strong sales and marketing expertise
Concentration of assets in student accommodation sector	Reduced student numbers impacting financial performance	Geographic diversification and in-depth market intelligence
Property markets are cyclical and performance depends on general economic conditions	Under/over performance of investment portfolio	Clear and active asset management strategy
Risk of further recession causing possible failure of construction contractor, university or bank	Cost to the business of dealing with failure, damage to market	Select financially robust construction partners. Focus on major university cities with at least two high quality institutions. Build strong relationships with banks with good credit ratings
Impact of changes in legislation, particularly in respect of environmental legislation and planning regulations	Increased cost of compliance leading to reduced returns or, in extremis, scheme cancellation	Highly developed skill base for managing planning process and building design. Minimum investment made in schemes prior to securing planning
External market for modular construction does not provide volume for UMS	Insufficient production volume to cover fixed costs of factory	Development of pipeline of potential opportunities. Initial contracts won
General		
Attracting and retaining the best people	Critical to delivering business strategy	UNITE is a values-based organisation. This means we recruit to a clear set of behaviours and seek to develop people to their full potential with leading in-house learning and development. We measure employee satisfaction through regular surveys and act on employee feedback
Reputational risk with universities, students or parents	Reduced lettings, difficult to attract the best people and weaker relationships with university clients, planners and other stakeholderss	Experienced brand, sales and marketing teams. Respond to customer feedback and strong focus on safety of our customers and staff with regular audits. Business continuity plans developed to react to major incidents. Strong focus on meeting customer needs with research-based product and service development. High importance attached to building good relationships with universities

The Board of Directors

Phil White CBE

Chairman

Phil, 61, was appointed Non-Executive Director and Chairman Designate of the Group in January 2009 and appointed Chairman in May 2009. The majority of Phil's executive career was spent in the public transport sector, during an exciting period of deregulation and privatisation. He was Chief Executive of National Express Group plc from 1997 to 2006, leading the business through a period of considerable growth both in the UK and overseas. Phil is currently Non-Executive Chairman of Kier Group plc and Non-Executive Chairman of Lookers plc. His experience gained in leading customer focused businesses, both in an executive and non-executive capacity, is invaluable to the Group.

Mark Allan

Chief Executive

Mark, 38, was appointed to the role of Chief Executive in September 2006, having previously served as Chief Financial Officer for three years. Mark held a variety of other roles in the business prior to that, having joined the Group in 1999. As Chief Executive he chairs the Group's Leadership Executive and has overall responsibility for the Group's performance against its business plan targets, whilst continuing to develop UNITE's growth strategy.

Joe Lister

Chief Financial Officer

Joe, 39, joined UNITE in 2002. He was appointed as Chief Financial Officer in January 2008 having held a variety of roles including Investment Director and Managing Director of Livocity. Joe is responsible for the Group's finances and investment strategy. As Chief Financial Officer, Joe is also responsible for the Company secretarial function and Chairs the Group's Major Investment Approval meetings. Prior to joining UNITE, Joe qualified as a chartered accountant with PricewaterhouseCoopers.

John Tonkiss

Chief Operating Officer

John, 43, joined UNITE in 2001 as General Manager of the Group's off-site manufacturing facility. John joined UNITE's Leadership Support Board in 2002 and subsequently was promoted to the role of Group Development Director in 2004. In 2006, John was appointed Managing Director of UNITE's Student Hospitality UK Business and, in 2007, was made UNITE's Chief Operating Officer to reflect his responsibility for strategic and tactical business operations throughout the Group

Nigel Hall

Non-Executive Director,
Senior Independent Director and
Chairman of the Audit Committee

Nigel, 55, who qualified as a Chartered Accountant in 1980 with Price Waterhouse, was Group Finance Director of Arcadia Group plc (formerly The Burton Group plc) until February 2003. He joined the Burton Group in 1984 and was appointed to its Board in 1997, becoming Group Finance Director in November of that year. Nigel is also Chairman of Countrywide Farmers plc and a Non-Executive Director of Pinewood Shepperton plc and C&J Clark Limited. With his considerable experience of finance and operations in multi-site businesses, Nigel provides strong leadership of the Audit Committee.

Stuart Beevor

Non-Executive Director
and Chairman of the
Remunerations Committee

Stuart, 54, was, until recently Managing Director of Grosvenor Fund Management Limited and a member of the Board of Grosvenor Group Limited, the international property group from 2002 until March 2011. Prior to joining Grosvenor, Stuart was Managing Director at Legal and General Property Limited, having previously held a number of roles dealing with development, investment, property management and unitised funds at Norwich Union.

Stuart brings a knowledge of property investment, property funds and investor demand that uniquely supports the Board and the business in its role as a co-investing asset manager.

Richard Walker

Non-Executive Director

Richard, 45, was formerly Chief Operating Officer of Carphone Warehouse UK, with responsibility for the Group's 750 UK stores, websites, direct sales and insurance services. Richard was previously Managing Director of Carphone Warehouse's European retail business, operating in 14 countries, and UK Sales Director. He holds a law degree from Nottingham University and trained as an accountant with Coopers and Lybrand.

His main supporting strengths are built around his operational expertise and 18 years of experience of having the customer at the heart of every decision made.

Sir Tim Wilson

Non-Executive Director

Tim, 61, was recently appointed Knight Bachelor for services to Higher Education and to business in the 2011 New Years Honours List. He was appointed Vice Chancellor of the University of Hertfordshire in September 2003, following an academic career with Leeds Metropolitan, Cranfield and De Montfort universities. As well as serving on the Board of the Higher Education Funding Council for England, he has been a Board member of East of England Development Agency for six years and also Deputy Chair of the CBI Innovation, Science and Technology Committee. He is Trustee of the Council for Industry and Higher Education and is a strong advocate of the role of universities in economic development. He is also acknowledged as one of the leading thinkers in university/ business collaboration.

Directors' report
for the year ended 31 December 2010

The Directors present their annual report and audited financial statements for the year ended 31 December 2010.

Principal activities

The principal activities of the Group during the year were the development and management of student residential accommodation in the United Kingdom. Details of the Company's principal subsidiaries are set out on page 76.

Operating and financial reviews

The information that fulfils the requirements of the Business Review can be found in the following sections, which are incorporated into this report by reference:

- Our financial position (pages 16 and 17)
- Key performance indicators (page 27)
- Risks and uncertainties (page 28 and 29)

Further information on the Group's operations and financial affairs that are in addition to the requirements of the Business Review are set out on pages 4 to 23 of this report.

Profit and dividends

The Group profit for the year attributable to shareholders amounted to £19.6 million (2009: £34.9 million loss). The Directors do not recommend the payment of a final dividend for the year (2009: nil pence per ordinary share). No interim dividend was paid during the course of the year (2009: nil pence per share).

Directors

Each of Messrs P M White, N P Hall, S R H Beevor, R S Walker, M C Allan, J M Tonkiss and J J Lister served as Directors throughout the year. Sir Tim Wilson was appointed to the Board as an additional Non-Executive Director on 1 December 2010.

Sir Tim Wilson offers himself for re-election at the Annual General Meeting of the Company which has been convened for 19 May 2011 (the "Annual General Meeting"), as do each of the other Directors, in line with the requirements of the UK Corporate Governance Code published by the Financial Reporting Council in June 2010. Brief biographies of all the Directors are set out on pages 30 and 31. Those biographies describe the reasons why each of the Directors should be re-elected.

Directors' interests

The interests of the Directors and their families in the ordinary shares of the Company are set out below. Details of Directors' share options are set out in the Directors' Remuneration Report.

Directors	Ordinary Shares of 25p each 31 December 2010	Ordinary Shares of 25p each 31 December 2009
M C Allan ❶	**1,090,777**	838,053
J Tonkiss ❷	**520,349**	362,392
J J Lister ❸	**538,976**	393,715
P M White	**10,000**	10,000
N P Hall	**17,849**	17,849
S R H Beevor	**–**	–
R Walker	**10,000**	10,000
R J T Wilson	**–**	–

❶ Mr Allan's interests include 697,824 ordinary shares conditionally awarded to him pursuant to the terms of the Company's Long-Term Incentive Plan (the "LTIP"). The number of such shares that will unconditionally vest in Mr Allan pursuant to those awards will be determined following the end of the relevant three-year measurement periods.

❷ Mr Tonkiss's interests include 392,976 ordinary shares conditionally awarded to him pursuant to the LTIP. The number of such shares that will unconditionally vest in Mr Tonkiss pursuant to those awards will be determined following the end of the relevant three-year measurement periods.

❸ Mr Lister's interests include 370,735 ordinary shares conditionally awarded to him pursuant to the LTIP. The number of such shares that will unconditionally vest in Mr Lister pursuant to those awards will be determined following the end of the relevant three-year measurement periods.

None of the Directors has a beneficial interest in the shares of any other Group company. Since 31 December 2010, there have been no changes in the Directors' interests in shares.

Changes in share capital

During the year, 10,526 ordinary shares of 25p each were allotted and issued pursuant to the exercise of options granted under The UNITE Group plc Approved Company Share Option Scheme at a price of 285p per share. In addition, a total of 10,875 ordinary shares of 25p each were allotted and issued pursuant to the exercise of options under The UNITE Group plc Savings Related Share Option Scheme (9,843 at a price of 188p per share and 1,032 at a price of 189.5p per share).

On 14 April 2010, the Company also allotted and issued 640,000 ordinary shares of 25p each at a price of 243p per share pursuant to the Group's LTIP.

Substantial interests in the share capital of the Company

As at 2 March 2011, those shareholders, other than Directors, who had notified the Company of a disclosable interest amounting to 3% or more of the total voting rights in the Company were as follows:

Shareholder	Percentage of share capital
BNP Paribas Investment Partners SA	5.67
Perennial Investment Partners (Australia) Limited	5.21
Fortis Investment Management SA	5.18
FMR LLL	5.18
J P Morgan Asset Management Holdings Inc	4.92
Morgan Stanley Investment Management Ltd	4.80
APG European Pensioen Groep NV	4.01
Legal & General Group plc	3.95
FIL Limited	3.66
Orange European Property Fund NV	3.62
Allianz SE	3.22

Donations

The Company made no political donations during the course of the year but made charitable donations of £15,000 to Students in Free Enterprise (2009: £15,000). The Company also donated 32 accommodation bursaries across the UK for the 2009/10 academic year to UNIAID Foundation equating to £120,869 (2009: £275,936).

In addition, the Company made donations to a number of charities through its "matched funding" policy. Pursuant to that policy, the Company agrees, subject to certain conditions and limits, to match the donations made to charities by employees through fund raising activities of their own. During the year, those "matched funding" donations of the Company amounted in aggregate to £6,669 (2009: £5,673).

Policy and practice on payment of creditors

During the year the Company maintained its policy of agreeing and abiding by supplier payment terms. The Group has not followed any recognised code for payment practice. As at 31 December 2010 the Group's trade creditors were equivalent to 30 days' purchases (2009: 27 days). The Company does not have any trade creditors (2009: nil).

Health & safety

The Group's policy is to provide and maintain safe and healthy working conditions, equipment and systems of work for all its employees and to provide such information, training and supervision as they need for this purpose.

The Group continues to advance its development of a transparent, scalable and robust safety management system.

Employment policies

The Company encourages employee involvement and consultation and places emphasis on keeping its employees informed of the Group's activities and financial performance. To that end, the "One UNITE" Employee Forum has been established, consisting of elected representatives from throughout the business.

The UNITE Code of Ethics (the full text of which can be found on the Company's website), confirms that the Group seeks at all times to conduct its business in accordance with, and to ensure that each of its employees and Directors adheres to, the highest standards of business and personal ethics. An independent "whistle-blowing" channel also enables employees to report any incidents of improper or illegal conduct of which they may become aware whilst, if they wish, maintaining their anonymity.

The UNITE Group plc Long-Term Incentive Plan was introduced in 2005 with the aim of being better able to structure remuneration packages so as to retain, motivate and reward selected Executive Directors and Senior Managers. In addition, in 2010 a new SAYE share option scheme was put in place (to replace the scheme originally put in place in 1999). All employees within the Group are eligible to participate in the new SAYE scheme subject to them having completed a qualifying period of employment.

The Company operates a non-discriminatory employment policy. Full and fair consideration is given to applicants for employment from the disabled where they have the appropriate skills and abilities and to the continued employment of staff who become disabled. The Company places particular emphasis on and encourages the continuous development and training of its employees and the provision of equal opportunities for the training and career development of disabled employees.

Directors' report for the year ended 31 December 2010 continued

Auditors

A resolution for the re-appointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Annual General Meeting

The Annual General Meeting of the Company will be held at The Core, 40 St Thomas Street, Bristol BS1 6JX at 9.30 a.m. on 19 May 2010. Formal notice of the meeting is given on pages 89 to 91.

In addition to the ordinary business of the meeting, Resolution 13 will be proposed as an ordinary resolution to grant the Directors authority to allot shares in the Company, and grant rights to subscribe for or to convert any security into shares of the Company, up to an aggregate of nominal value of £13,355,955 (representing approximately one third of the issued share capital of the Company as at 2 March 2011). In accordance with guidelines issued by the Association of British Insurers, this resolution also grants the Directors authority to allot further equity securities up to an aggregate nominal value of £13,355,955, again representing approximately one third of the nominal value of the issued ordinary share capital of the Company as at 2 March 2011. This additional authority may only be applied to fully pre-emptive rights issues.

Resolution 14 will be proposed as a special resolution to authorise the Directors to allot equity securities for cash other than in accordance with statutory pre-emption rights (which require a company to offer all allotments for cash first to existing shareholders in proportion to their holdings), in respect of the allotment of shares in connection with any rights issue or other issue by way of rights and otherwise up to an aggregate nominal amount of £2,003,393 (representing approximately 5% of the issued share capital of the Company as at 2 March 2011).

The Board has no current intention of exercising either of the authorities conferred by the above resolutions. Unless revoked, varied or extended, those authorities will expire at the conclusion of the next Annual General Meeting of the Company or the date following 15 months from the passing of the resolutions, whichever is the earlier.

The Companies (Shareholders' Rights) Regulations 2009 (the "Shareholders' Rights Regulations"), increased the notice period for general meetings of the Company to 21 days unless shareholders approve a shorter notice period, which cannot be less than 14 clear days. At the Annual General Meeting of the Company held in 2010, shareholders authorised the calling of general meetings, other than an Annual General Meeting, on not less than 14 clear days' notice. Resolution 15 seeks the approval of shareholders to renew the authority to be able to call general meetings (other than an Annual General Meeting), on 14 clear days' notice. The flexibility offered by Resolution 15 will be used where, taking into account the circumstances, the Directors consider this appropriate in relation to the business of the meeting and in the interests of the Company and shareholders as a whole. The Company undertakes to meet the requirements for electronic voting under the Shareholders' Rights Regulations before calling a general meeting on 14 clear days' notice. If given, the approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed.

Disclosures

The Company's share capital is made up of one class of ordinary shares, which carry no restrictions on transfer or voting rights (other than as set out in the Company's Articles of Association).

Details of those persons who have significant holdings of shares in the Company are set out on page 33 under the heading "Substantial Interests in the share capital of the Company". No holder of shares in the Company has any special rights with regard to the control of the Company, nor does the Company have an employee share scheme, shares in relation to which have rights with regard to the control of the Company.

There are no agreements known to the Company between holders of shares in the Company which may result in restrictions on the transfer of shares or on voting rights in relation to the Company.

The Company has no rules regarding the appointment and replacement of Directors or regarding the amendment to the Company's Articles of Association, save as set out in the Company's Articles of Association.

Other than certain of the Group's banking facilities, there are no significant agreements to which the Company is a party that affect, alter or terminate upon a change of control of the Company following a takeover bid. Nor are there any agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

Details of proposals to be put to the Annual General Meeting in relation to the power of Directors to issue shares in the Company are set out above under the heading "Annual General Meeting". The Directors have no authority to buy-back the Company's shares.

By order of the Board

A D Reid
Secretary
2 March 2011

Corporate governance for the year ended 31 December 2010

During the course of the year, the Company complied with the principles of best practice set out in Section 1 of the Combined Code issued by the Financial Reporting Council in June 2006 and as subsequently amended (the "Combined Code").

In accordance with the recommendations of the UK Corporate Governance Code published by the Financial Reporting Council in June 2010, the Directors have resolved that they will all retire at the Annual General Meeting and that those wishing to serve again will submit themselves for re-election by the shareholders.

Board of Directors

The Company's corporate governance procedures provide that the full Board of Directors shall meet at least six times a year. During 2010, there were 11 meetings of the full Board, all of which were attended by each of the Directors then appointed.

The Board receives regular reports from each of the Group's business units, but itself retains full and effective control of the Group's activities, with a formal schedule of matters specifically reserved for decision by the full Board. In particular, the full Board sets the strategic objectives, business plan and annual budgets for the Group, with major investment decisions also requiring Board approval. Operational responsibility is delegated to the Group's Leadership Executive.

Terms of reference have been set by the Board for its various committees and for the Chairman and the Chief Executive Officer. The terms of reference for the Chairman and the Chief Executive are such as to clearly establish the division of responsibility between the two roles. In addition, all Directors have access to the advice and services of the Company Secretary, whilst procedures are in place allowing for individual Directors to take independent legal advice. A programme for the training of Directors has been put in place.

The current Board consists of three Executive Directors, namely Mr M C Allan (Chief Executive); Mr J M Tonkiss (Chief Operating Officer); and Mr J J Lister (Chief Financial Officer), as well as Mr P M White (Chairman), Mr N P Hall (Senior Independent Non-Executive Director), and three other Non-Executive Directors (Messrs S R H Beevor and R S Walker and Sir Tim Wilson). Each of such Directors served throughout the year, other than Sir Tim Wilson, who was appointed to the Board on 1 December 2010.

Each of the Non-Executive Directors is considered by the Board to be independent of management and free from any personal, business or other relationship with the Group, save for the receipt of Directors' fees and interests in shares of the Company. The Company therefore meets the requirement of the Combined Code in relation to members of the FTSE 350 that at least half of the Board (excluding the Chairman), is made up of independent Non-Executive Directors.

Each of the Executive Directors has a written service contract, whilst each of the Non-Executive Directors has a formal letter of engagement. Executive Directors have rolling contracts of employment with twelve months notice periods, whilst Non-Executive Directors are (subject to annual re-election by shareholders), appointed by the full Board for a term of approximately three years. The letters of appointment relating to the Non-Executive Directors are available for inspection at the Company's registered office during normal business hours and for the 15 minutes prior to and during the Annual General Meeting.

The Board has appointed an Audit Committee, a Remuneration Committee and a Nominations Committee. The terms of reference for each such committee (which are published on the Company's website) are reviewed annually by the relevant committee, as is the effectiveness of each such committee. Set out below are sections describing the work of the committees in discharging their respective responsibilities.

Audit Committee

During the year, the Audit Committee comprised Messrs N P Hall, S R H Beevor, R S Walker and, as from 1 December 2010, Sir Tim Wilson, all being independent Non-Executive Directors. Mr Hall acted as Chairman of the Audit Committee throughout the year. Mr Hall is a Chartered Accountant and was, until February 2003, finance director of Arcadia Group plc (formerly The Burton Group plc).

During the year, the Audit Committee met on four occasions, all of which meetings were attended by each of the then current members of the Committee.

The Audit Committee meets with the Chief Financial Officer and with the external auditors and reviews the annual accounts and the preliminary and interim financial results announcements prior to submission to the Board. The Audit Committee also reviews compliance with accounting standards, the scope and extent of the external audit programme and the appointment, independence and remuneration of the auditors. The chairman of the Audit Committee reports to the Board on matters discussed at meetings of the Audit Committee.

During the course of the year, the Audit Committee reviewed the existing internal controls in place (including an operational compliance audit regime). As a result of that review and the size of the Group, it was not considered necessary to establish an internal audit function. However, the position is being kept under review.

Corporate governance for the year ended 31 December 2010 continued

The Audit Committee has established a formal policy with regard to the Company's appointment of the external audit firm for the supply of non-audit services. Pursuant to that policy, differentiation is made between (i) work that would be inappropriate for the audit firm to perform; (ii) work that is clearly audit-related or required to be performed by the Company's external auditors; (iii) work that is often cost effectively performed by the audit firm as a result of its unique position and knowledge of the Company; and (iv) other work.

In relation to category (i), the Audit Committee will not support the use of the audit firm for any services deemed to be incompatible with auditor independence by professional or government regulations. For category (ii) work, management has discretion to use the audit firm without prior consultation with the Audit Committee, although the nature of the work and the associated fees are regularly reported to the Committee. For category (iii) work, management has discretion to use the audit firm without prior consultation with the Audit Committee for any piece of work for which the individual fee does not exceed £50,000. Where the cumulative fees for this category of work are expected to exceed the budgeted annual audit fee in any year, or an individual fee exceeds £50,000, the Chairman of the Audit Committee will be consulted. For category (iv) work, management would normally review a range of possible suppliers of such services and select the most appropriate supplier. If management identifies the audit firm as the best supplier in a specific field and also believes that such assignment would not prejudice the independence of the audit firm, then an evaluated request is made to the Audit Committee to confirm the appointment to any appointment involving fees in excess of £10,000.

The Audit Committee also reviews any potential threat to the objectivity and independence of the external auditor, including, in particular, those potential threats identified by the Auditing Practices Board in its independence guidelines. The Committee determines and then reports to the Board, whether or not it is satisfied that the independence of the external auditor is not jeopardised, taking into account the external auditor's own submissions to the Committee and/or the Board.

During the course of the year, the non-audit services provided to the Group by the external auditor related to tax advisory and compliance matters.

Remuneration Committee

During the year, the Remuneration Committee comprised Mr S R H Beevor (who acted as Chairman), Mr N P Hall, Mr R S Walker and, as from 1 December 2010, Sir Tim Wilson (all being independent Non-Executive Directors), together with Mr P M White. Mr White, who is Chairman of the Board, was considered independent on his appointment to that role, in which case his membership of the Committee is in accordance with the provisions of the Combined Code, as amended in June 2006.

The Committee determines remuneration policy and advises the Board accordingly. In particular, the Committee makes recommendations regarding the terms of employment of Executive Directors and senior managers, including terms of remuneration, long-term incentive plan awards and other incentives. Mr M C Allan is invited to attend meetings of the Remuneration Committee but takes no part in the discussions concerning his own remuneration and does not attend those parts of the meetings of the Committee that consider that issue. The Directors' Remuneration Report is set out on pages 39 to 44.

During the course of 2010, five meetings of the Remuneration Committee were held, all of which were attended by each of the then current members of the Committee.

Nominations Committee

During the year, the Nominations Committee was chaired by Mr P M White. The exact composition of the Committee is variable, provided that each meeting has a majority represented by independent Non-Executive Directors. During the course of 2010, three meetings of the Nominations Committee were held, each of which was attended by Messrs P M White, N P Hall, S R H Beevor, R S Walker and M C Allan.

The Committee is responsible for making recommendations to the Board on any appointment or re-appointment to the Board and at senior executive level. It is also responsible for ensuring that plans are in place for an orderly succession of appointments to the Board and at senior management level, so as to maintain an appropriate balance of skills and experience within the Company and on the Board.

The process for evaluating the performance of the Executive Directors flows from the setting of the overall business strategy for the Group. Once agreed by the Board, the Executive Directors produce divisional strategies and milestone action plans designed to deliver the agreed overall strategy. Such strategies and plans, which are challenged and may be revised prior to being ratified by the Board, then form the basis of personal objectives that are set for each of the Executive Directors.

The performance of the Non-Executive Directors is reviewed annually by the Chairman, whilst the performance of the Chairman is considered annually by the Non-Executive Directors (in the absence of the Chairman), in both cases taking account of the views of the Executive Directors. The Chairman and the Non-Executive Directors (also on an annual basis) meet to consider the overall effectiveness of the Board and its Committees. Those meetings are then followed by full Board review meetings, which are attended by all members of the Board.

Internal control

The Board has overall responsibility for the Group's system of internal control. However, such a system is designed to achieve business objectives and can only provide reasonable and not absolute assurance against material mis-statement.

The provisions of the Combined Code in respect of internal controls require that Directors review all controls including operational, compliance and risk management, as well as financial control. Through reports from the Group's Leadership Executive, the Board has reviewed the effectiveness of the Group's system of internal controls for the period covered by the annual report and accounts and has concluded that such controls were effective throughout such period.

The Company has an established framework of internal controls which, amongst other things, includes the following:

Financial reporting

The Group has a comprehensive budgeting system with an annual business plan approved by the Board. Operating results and cash flows are reported on monthly and compared against budget. Forecasts are reviewed throughout the year and revised as necessary. The Company reports to shareholders on a half-yearly basis.

Investment appraisal

The Company has clearly defined guidelines for capital expenditure. These include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where investment or development properties are being acquired. Post-investment appraisals are performed for major investments.

Business risk assessment

The Group has developed a comprehensive risk management system whereby strategic threats to the business are identified and the management and control of those threats prioritised. As a result of this system, the Board is satisfied with the high level controls in place, although all areas of the business are kept under review and new controls introduced as appropriate. An analysis of the more important risks and uncertainties faced by the Group is set out on pages 28 and 29. The Group's objectives and policies with regard to the management of financial risks are set out in note 20 to the financial statements.

Social responsibility

The Company has formal procedures for considering the significance to its business of social, environmental and ethical (SEE) matters, which are considered as part of the Group's risk management system (referred to above in relation to Business Risk Assessment). The results of the benchmarking reviews which form part of that system (which are carried out by the Group's Leadership Executive), are reported to and considered by the full Board on a six-monthly basis. Details of the risks and uncertainties that are considered most significant to the Group are set out on pages 28 and 29.

In light of the above, the Board believes that it has in place appropriate procedures to identify and assess the significant risks to the Company's short and long-term value arising from SEE matters, as well as opportunities to enhance value that may arise from an appropriate response. In that respect, the Board considers that it receives adequate information to make those assessments and that the Company has in place effective measures for managing significant risks. Account is taken of SEE matters in relation to the training of Directors.

The UK Corporate Governance Code

The Company confirms that, in respect of its current and future financial years, it intends to comply with the principles of best practice set out in the UK Corporate Governance Code, published by the Financial Reporting Council in June 2010. In particular, the Company confirms that its Board evaluation exercise will be externally facilitated at least once every three years and that all Directors will, with effect from the Annual General Meeting, be subject to annual re-election by shareholders.

Investor relations

The Executive Directors have a programme of meetings with institutional shareholders and analysts. Feedback from such meetings regarding shareholder opinion is provided to the Board as a whole. In addition, the Senior Independent Non-Executive Director is available to meet with major shareholders if requested. The Company's Annual General Meeting provides an opportunity, which the Board encourages, for private investors to communicate with the Company.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Corporate governance for the year ended 31 December 2010 continued

Statement of Directors' responsibilities in respect of the annual report and the financial statements

The Directors are responsible for preparing the Annual Report and Accounts and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period.

In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the annual financial report

Each of the Directors confirms that to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

M C Allan
Director
2 March 2011

J J Lister
Director

Directors' remuneration report for the year ended 31 December 2010

Introduction

The Board reports to shareholders on Directors' remuneration as set out below. In preparing this report, the Remuneration Committee of the Board (the "Committee") has complied with the Companies Act 2006 and Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts & Reports) Regulations 2008. The Report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the Principles of Good Governance in relation to directors' remuneration. A resolution to approve the Report will be proposed at the forthcoming Annual General Meeting.

Certain sections of this report are subject to audit and these have been clearly marked. The unaudited section of the report deals with the remuneration policy that is to be followed in 2011 and describes arrangements which applied during 2010.

Remuneration Committee

During the year, the Committee consisted of Mr S R H Beevor (who chaired the Committee), Mr P M White, Mr N P Hall, Mr R S Walker and (as from 1 December 2010), Sir Tim Wilson, all of whom are independent Non-Executive Directors (other than Mr White who is Chairman of the Board). Mr M C Allan is invited to attend meetings of the Committee.

The Committee is required annually to approve the remuneration policy and rewards for the Executive Directors and to monitor the structure and level of remuneration for other senior management. Mr Allan takes no part in the discussions concerning his own remuneration, nor does he attend those parts of the meetings of the Committee which discuss that issue.

The Committee is able to obtain independent professional advice from external consultants in order to carry out its duties. During the year, such advice was received from Hewitt New Bridge Street and Kepler Associates, neither of whom provided any other services to the Company during the course of the year.

During 2010 some of the key issues addressed by the Committee were as follows:

- reviewing the Company's policy on Executive Directors' remuneration to ensure it remained appropriate;
- finalising bonus payments in respect of the 2009 performance period;
- reviewing the base salaries of the Executive Directors for 2010;
- setting performance targets in line with the Company's strategy for the annual bonus plan for 2010 and determining the amounts potentially payable; and
- reviewing the current long-term incentive arrangements.

The members of the Committee attend the Company's Annual General Meeting and are available to answer shareholders' questions about the Directors' remuneration.

The terms of reference of the Committee are available on the Company's website.

Policy on remuneration of Executive Directors and senior executives

The policy in respect of Directors' remuneration is to ensure that the Company's remuneration packages are competitive and designed to attract, retain and motivate Executive Directors and senior executives of an appropriate calibre. Performance-related reward policies are operated which are designed to provide a significant element of "at risk" pay, which is only available when strong results are achieved.

The annual bonus scheme is seen as an essential part of total reward and incentivisation for Executive Directors. Annual bonus targets include elements for performance against financial and non-financial criteria and personal objectives. The targets focus on the key issues facing the business over the coming year, but are also designed to be for the long-term benefit of the Company. The targets are set taking account of relevant risks.

The Committee views long-term incentives as key elements in aligning the interests of Executive Directors and other senior executives with shareholders and the Company's corporate goals.

The Committee's policy is to pay base salaries at or around the median level for companies of a similar size (taking account of individual experience and performance), and to provide the opportunity for Executives to achieve total remuneration at the upper quartile level through performance-linked incentives when justified by very strong performance against clearly defined measures.

In determining the remuneration of Executive Directors and other senior executives, the Committee also takes account of the level of remuneration and pay awards made generally to employees of the Group.

During 2010, a benchmarking review of the current market positioning of the Group's executive remuneration was undertaken on behalf of the Committee using a comparator group of other FTSE 350 Real Estate companies and a comparator group of companies of similar size to the Company. However, in using comparative pay survey data, the Committee treats the data with caution, recognising the risk of an upward pay ratchet.

The main components of the Executive Directors' remuneration packages are:

Basic salary

The basic salary of each Executive Director is reviewed each year. Basic salaries are determined taking account of advice received from the Committee's independent advisors on the rates of salary for similar roles in selected groups of comparable companies and the individual performance and experience of each Executive.

Directors' remuneration report for the year ended 31 December 2010 continued

The Committee approved the following base salaries with effect from 1 March 2011.

	Base salary from 1 March 2010 to 28 February 2011	Base salary from 1 March 2011 to 29 February 2012	Percentage increase
M C Allan	£385,000	£393,000	2.1%
J M Tonkiss	£240,000	£245,000	2.1%
J J Lister	£220,000	£230,000	4.5%

The Committee is mindful that the salaries of Messrs Tonkiss and Lister are below median, but considered the broader context within which the business is operating and considered that salary increases below 5% were appropriate. The Committee will continue to review the competitiveness of salaries with a view to moving towards median dependent on the Committee's view of individual and Group performance.

Benefits in kind include a company car or car allowance and private health insurance.

Only basic salary is pensionable.

Pension

In 2010, the Company contributed an amount equivalent to 2.1% of Mr Allan's salary to a self-investing pension plan of Mr Allan and paid Mr Allan a pension allowance equivalent to 8.3% of his salary. In 2011, it is anticipated that Mr Allan will receive a cash pension allowance equivalent to 11% of his salary, with no contribution being made by the Company to his self-investing pension plan.

Messrs Lister and Tonkiss are members of The UNITE Group Personal Pension Scheme, which is a money purchase scheme. The Company contributes 12.5% of salary into the scheme.

Performance related bonus

The Group operates an annual performance related bonus scheme which is designed to encourage the achievement of targeted levels of performance over the short term and reward outstanding contributions. Under the scheme, Executive Directors' basic bonus entitlements for 2010 have been calculated by reference to performance targets set in relation to Net Portfolio Contribution ("NPC"); increases in Net Asset Value ("NAV"); the year-end free cash balance; customer satisfaction and employee satisfaction.

Subject to minimum targets being achieved in relation to those performance criteria, basic bonus entitlements have been calculated on a sliding scale of amounts equivalent to between 50% and 120% of base salary, in accordance with which "on target" performance would have resulted in a basic bonus entitlement of an amount equivalent to 75% of base salary.

To determine the actual bonus payment to an Executive Director, a multiplier, ranging between 0.5 and 1.2 is applied against the basic bonus entitlement of the relevant Executive Director. That multiplier is determined following the Performance Development Programme review of each Executive Director (which is carried out at the start and end of the year), and reflects the strength of that Director's individual performance over the course of the bonus plan year.

As a result of the above, 2010 bonus payments for Executive Directors could have ranged in amounts up to 144% of base salary. However, bonus payments at the higher end of that range would only have been made subject to the achievement of extremely stretching performance targets by the Company and exceptional individual performance by the relevant Director.

The performance related bonuses awarded in respect of the year ended 31 December 2010 reflect basic bonus entitlements (calculated in accordance with the sliding scale referred to above), of 58.41% of basic salary. That percentage was arrived at as a result of the Group having achieved bonus entitlements in relation to NPC, NAV, year-end free cash balance and employee satisfaction. Bonus entitlements were not achieved in relation to customer satisfaction.

After application of the individual performance multiplier, the above has resulted in the actual performance related bonus payments awarded to Messrs M C Allan, J M Tonkiss and J J Lister in respect of the year ending 31 December 2010 ranging between 50.8% and 62.5% of their respective basic salaries. Bonus payments to the Executive Directors in respect of the year ended 31 December 2009 ranged in amounts equivalent to between 49.2% and 60.5% of base salary.

In accordance with the Company's Guidance for Executive Directors' Shareholdings (see below), 100% of the bonus payable to each of Messrs Allan, Tonkiss and Lister will be paid in cash (as each already complies with the Company's Guidance on Executive Directors' Shareholdings).

For the 2011 bonus scheme, performance targets have been set in relation to the same measures as applied in 2010 (outlined above), save that the cash measure is by reference to operating cash flow, rather than the year-end free cash balance.

Long-term incentives

The Group seeks to encourage and reward long-term performance by providing incentives linked to the long-term performance of the Company's shares. Prior to the adoption in 2005 of The UNITE Group plc Long-Term Incentive Plan (the "2005 LTIP"), these incentives were provided in the form of share options and details of the subsisting options awarded to the Directors are set out in the auditable part of this Report.

The 2005 LTIP

Under the 2005 LTIP, Executive Directors and senior managers may receive conditional awards of shares in the Company each year, with vesting being dependent on the extent to which performance conditions selected by the Remuneration Committee are satisfied over a three-year measurement period. The maximum limit for individual awards under the 2005 LTIP is 100% of base salary per annum.

For awards made to Executive Directors under the 2005 LTIP in 2010 (as was the case for awards made in previous years), performance conditions were based on growth in NAV and the relative Total Shareholder Return ("TSR") performance of the Company, each applying to 50% of an award. These performance measures were considered appropriate to capture both the performance of the Company's asset base (NAV) and the Company's relative performance against companies operating in the real estate sector.

For that element of an award based on growth in NAV, a target NAV for the end of the three-year measurement period is set by the Remuneration Committee and lodged with the Company's auditors. However, for reasons of commercial sensitivity, the target is not publicly disclosed. At the end of the measurement period, if the actual NAV is less than 80% of the target value, none of the shares the subject of that element of the award will vest. If the actual NAV is 116% or more of the target value, then all the shares the subject of that element of the award will vest.

If the actual NAV is equal to or greater than 80% of the target value, but less than 116%, the number of shares that will vest is calculated on a straight line basis. Under awards made prior to 2009, 45% of the total number of shares the subject of that element of the award will vest if the actual NAV is 80% of the target value, with 100% of such shares vesting if the actual value is 116% or more of the target value. However, for awards made in 2009 and subsequently, only 30% of an award will vest if 80% of the target value is achieved.

In relation to that element of an award referable to TSR, the performance of the Company is measured over a three year measurement period, against the performance of a comparator group of companies. For the awards made in 2010, the comparator group was those companies comprising the FTSE 350 Real Estate Index at the beginning of the measurement period and which are still quoted at the end of that period. The Remuneration Committee believes that the constituents of that comparator group provide an appropriate comparison for the Company's performance.

For the achievement of median-ranked performance, 33% of that part of the award vests. If the Company is ranked in the top 25% of the comparator group, then all the shares the subject of that element of the award will vest, whilst no such shares will vest if UNITE is ranked below the median. If the Company is ranked between median and the upper quartile, the number of shares that will vest will be between 33% and 100% of the total number of shares the subject of that element of the award, calculated on a straight line basis. The same vesting scale applies to the TSR elements of awards made prior to 2010.

Irrespective of the NAV and TSR performance, no shares will vest under either element of an award unless the Remuneration Committee is satisfied that the underlying financial performance of the Company over the performance period is satisfactory.

New option and LTIP proposals

Following a review of the Company's long-term incentive arrangements by Kepler Associates, the Committee proposes the introduction of a new HMRC approved Company Share Option Scheme and a new long-term incentive plan. Full details of the new option and long-term incentive arrangements will be circulated to shareholders prior to, and will be considered at, a General Meeting of the Company to be held on the same day as, and immediately following, the Annual General Meeting.

Executive Director service contracts

In accordance with general market practice, each of the Executive Directors has a rolling service contract requiring 12 months' notice of termination on either side. Such contracts contain no specific provision for compensation for loss of office, other than an obligation to pay for any notice period waived by the Company.

The dates of the current Executive Directors' service contracts are as follows:

M C Allan	31 October 1999
J M Tonkiss	22 June 2001
J J Lister	28 March 2002

Chairman and Non-Executive Director remuneration

Each of the Chairman and Non-Executive Directors has a specific letter of engagement, the dates of which are set out below:

P M White	10 January 2009
N P Hall	6 March 2003
S R H Beevor	20 February 2004
R S Walker	3 November 2005
R J T Wilson	1 December 2010

Subject to annual re-election by shareholders, Non-Executive Directors are appointed for an initial term of approximately three years. Subsequent terms of three years may be awarded. Current appointments will expire at the Annual General Meeting in 2012 in the case of Messrs N P Hall and P M White; at the Annual General Meeting in 2013 in the case of Mr S R H Beevor; and at the annual general meeting in 2014 in the case of Mr R S Walker and Sir Tim Wilson. The appointment and re-appointment and the remuneration of Non-Executive Directors are matters reserved for the full Board.

Directors' remuneration report for the year ended 31 December 2010 continued

With effect from 1 January 2010 it was agreed to increase the fee payable to the Chairman of the Board from £90,000 per annum to £112,500 per annum and to increase the basic fee payable to each Non-Executive Director from £35,000 per annum to £39,000. It was also agreed to increase the fee payable for chairing the Audit Committee from £7,000 per annum to £8,000 per annum. The fees payable for chairing the Remuneration Committee and for being Senior Independent Director remained at £6,500 and £4,500 respectively. Having reviewed the fees payable to the Non-Executive Directors, it has been agreed that there will be no increase in such fees during 2011.

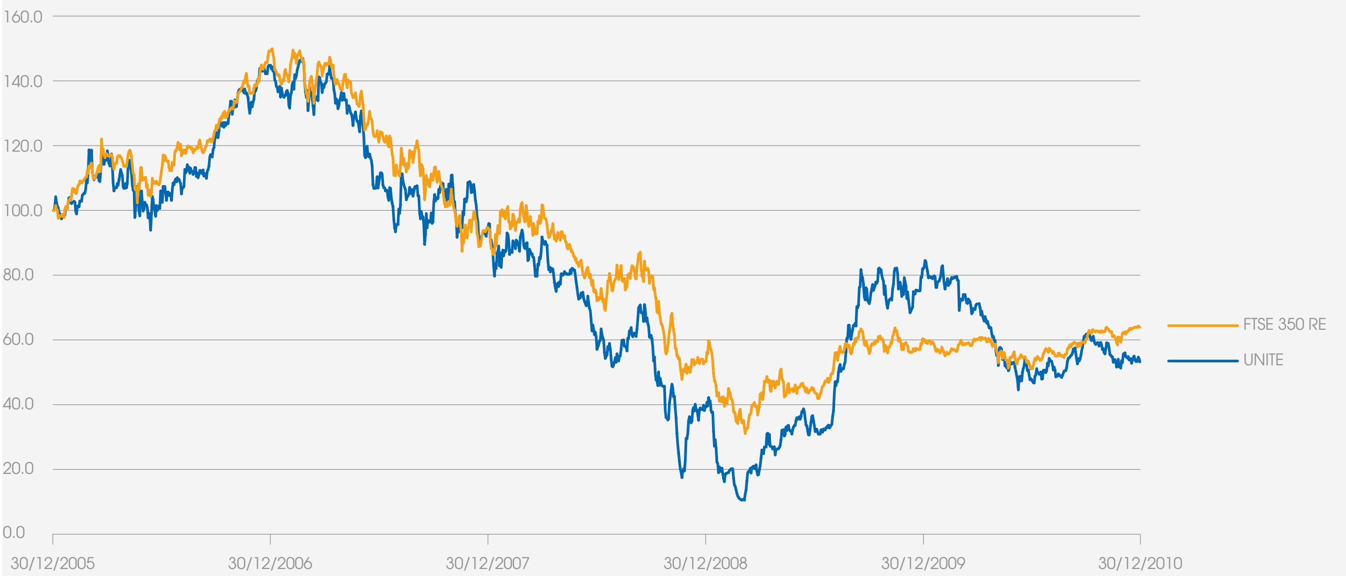
The Non-Executive Directors are not eligible to participate in the Company's performance related bonus plan, long-term incentive plans or pension arrangements.

Total Shareholder Return

The following graph charts the TSR of the Company and the FTSE 350 Real Estate "Super Sector" Index over the five-year period from 31 December 2005 to 31 December 2010.

Total Shareholder Return

2005 – 2010



Source: Datastream

Whilst there is no comparator index or group of companies which truly reflects the activities of the Group, the FTSE 350 Real Estate "Super Sector" Index (the constituent members of which are all property holding and/or development companies or real estate investment trusts within the UK), was chosen as it reflects trends within the UK property market generally and tends to be the index against which analysts judge the performance of the Company.

Executive Director shareholding guidelines

The Group's policy in relation to shareholdings in the Company by Executive Directors is for the Chief Executive to acquire a holding (excluding shares held conditionally pursuant to LTIP awards), equivalent in value to 200% of basic salary. For other Executive Directors, the current policy is to accumulate a holding (again excluding shares held conditionally pursuant to LTIP awards), equivalent in value to 100% of basic salary.

The valuation of the respective holdings is made by reference to the closing mid-market price of the Company's shares on the day following the preliminary announcement of the Company's year-end results. If on that date the valuation of the relevant Director's holding is below the guideline level, then 50% (or such lesser percentage as is required to take the relevant Director's holding up to the guideline level), of the bonus payable to that Director in respect of the previous financial year is satisfied by an allocation of shares in the Company held in the ESOT. Subject to the Director's continued employment within the Group, such shares are transferred to the Director on or around the third anniversary of the original allocation.

Audited information

Remuneration summary	Fees £'s	Basic salaries £'s	Performance bonus* £'s	Deferred bonus** £'s	Other benefits*** £'s	**Total remuneration 2010 £'s**	Total remuneration 2009 £'s
Executive Directors							
M C Allan	–	385,000	240,620	–	21,376	**646,996**	638,363
J M Tonkiss	–	235,000	150,000	–	13,089	**398,089**	349,701
J J Lister	–	216,667	111,800	–	14,722	**343,189**	313,114
Non-Executive Directors (Fees)							
P M White ❶	112,500	–	–	–	–	**112,500**	85,227
N P Hall	51,500	–	–	–	–	**51,500**	46,500
S R H Beevor ❷	45,500	–	–	–	–	**45,500**	41,500
R S Walker	39,000	–	–	–	–	**39,000**	35,000
R J T Wilson ❸	3,250	–	–	–	–	**3,250**	–

* Payable in cash.
** Satisfied by an allocation of shares in the Company held in the ESOT (subject to the Executive Director Shareholding Guidelines set out above).
*** Benefits receivable consist primarily of company car or car allowance and private health care insurance.
❶ The fees paid to Mr P M White in 2009 relate to the period 21 January (when he joined the Board) to 31 December 2009.
❷ The fees paid in respect of Mr S R H Beevor were paid to Grosvenor Investments Limited, which company made available the services of Mr Beevor.
❸ The fees paid to Sir Tim Wilson relate to the period 1 December 2010 (when Sir Tim joined the Board), to 31 December 2010.

Pensions

During the year Mr J M Tonkiss and Mr J J Lister participated in The UNITE Group Personal Pension Scheme, which is a money purchase scheme, in relation to whom the Company contributed respectively the sums of £29,375 and £27,083 in the year. The Company also made a contribution of £8,181 to a self-investing pension scheme of Mr M C Allan and paid Mr Allan a cash pension allowance of £31,998.

Share options

Director	As at 31.12.09	Granted during the year	Exercised during the year*	Lapsed during the year	**As at 31.12.10**	Exercise Price	Normal Exercise Dates
M C Allan	11,823	–	–	–	**11,823**	323.5p	21.03.2005 – 20.03.2012
J M Tonkiss	1,545	–	–	–	**1,545**	323.5p	21.03.2005 – 20.03.2012
	5,235	–	–	–	**5,235**	191p	04.05.2007 – 03.05.2014
	50,000	–	–	–	**50,000**	232.5p	16.09.2007 – 15.09.2014
J J Lister	8,255	–	–	–	**8,255**	129p	11.10.2005 – 10.10.2012
	3,154	–	–	–	**3,154**	158.5p	25.09.2006 – 24.09.2013
	5,235	–	–	–	**5,235**	191p	04.05.2007 – 03.05.2014
	58,662	–	–	–	**58,662**	232.5p	16.09.2007 – 15.09.2014

As at 31 December 2010, the middle market price for ordinary shares in the Company was 194.1p per share. During the course of the year, the market price of the Company's shares ranged from 163p to 308.4p per ordinary share.

All options referred to in the table above were granted pursuant to The UNITE Group plc Unapproved Share Option Scheme (the "Unapproved Scheme"). All options were granted for nil consideration.

Vesting of half the options granted prior to 2004 under the Unapproved Scheme is based on the TSR of the Company against companies included in the FTSE Small Companies Index (excluding investment trusts) over the three-year period from the date of grant. Vesting of the other half is based on the Company's net asset growth exceeding the average net asset growth of companies included in the FTSE Small Companies Index (excluding investment trusts) over the three-year period from the date of grant. Options granted under the Unapproved Scheme after 1 January 2004 are subject to performance criteria based solely on TSR against companies included in the FTSE Small Companies Index (excluding investments trusts).

Directors' remuneration report for the year ended 31 December 2010 continued

LTIP Awards

Director	Interests held at 01.01.10	Interests awarded during year (ordinary shares of 25p each in the Company)	Market price per share when awarded	Interests vested during the year	Interests lapsed in the year	**Interests held at 31.12.10 (ordinary shares of 25p each in the Company)**	Period of qualifying conditions
M C Allan	55,096		544.5p		55,096	**–**	11.04.07 – 11.04.10
	124,294		309.75p			**124,294**	15.04.08 – 15.04.11
	415,094		92.75p			**415,094**	09.04.09 – 09.04.12
		158,436	243p			**158,436**	14.04.10 – 14.04.13
J M Tonkiss	33,058		544.5p		33,058	**–**	11.04.07 – 11.04.10
	67,796		309.75p			**67,796**	15.04.08 – 15.04.11
	226,415		92.7p			**226,415**	09.04.09 – 09.04.12
		98,765	243p			**98,765**	14.04.10 – 14.04.13
J J Lister	12,842		544.5p		12,842	**–**	11.04.07 – 11.04.10
	64,568		309.75p			**64,568**	15.04.08 – 15.04.11
	215,633		92.75p			**215,633**	09.04.09 – 09.04.12
		90,534	243p			**90,534**	14.04.10 – 14.04.13

Details of the qualifying performance conditions in relation to the above referred to awards are set out above under the heading "The 2005 LTIP". Those details should also be taken as forming part of the "auditable part" of this Report. No variations have been made to the terms or conditions of any awards.

The fair value in respect of Directors' share options and LTIP awards recognised in the Income Statement is as follows:

	2010 £m	2009 £m
M C Allan	**207,603**	82,566
J M Tonkiss	**118,484**	46,968
J J Lister	**111,382**	27,356
Total	**437,469**	156,890

A table setting out the beneficial interests of the Directors in the share capital of the Company as at 31 December 2010 is set out on page 32.

By order of the Board

S R H Beevor
Chairman of the Remuneration Committee
2 March 2011

Independent auditor's report to the members of the UNITE Group plc

We have audited the financial statements of The UNITE Group plc for the year ended 31 December 2010 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statement of Changes in Shareholders' Equity, the Group and Company Statements of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' 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 and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 38, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2010 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- information given in the Corporate Governance Statement set out on page 35 to 37 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 37, in relation to going concern;
- the part of the Corporate Governance Statement on pages 35 to 37 relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Stephen Bligh (Senior Statutory Auditor), for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants, 15 Canada Square, London E14 5GL
2 March 2011

Consolidated income statement
For the year ended 31 December 2010

	Note	2010 £m	2009 £m
Revenue	2(d)	**193.4**	265.4
Cost of sales	2(d)	**(147.0)**	(247.0)
Operating expenses	2(d)	**(28.5)**	(23.1)
		17.9	(4.7)
Loss on disposal of property		**(2.9)**	(3.4)
Net valuation gains/(losses) on property	3	**15.4**	(15.3)
Profit/(loss) before net financing costs		**30.4**	(23.4)
Loan interest and similar charges	5	**(13.8)**	(13.4)
Mark to market changes in interest rate swaps	5	**(18.6)**	(6.7)
Finance costs		**(32.4)**	(20.1)
Finance income	5	**0.9**	0.9
Net financing costs		**(31.5)**	(19.2)
Share of joint venture profit	9	**25.3**	6.9
Profit/(loss) before tax		**24.2**	(35.7)
Tax	6	**(2.9)**	1.2
Profit/(loss) for the year		**21.3**	(34.5)
Profit/(loss) for the period attributable to			
Owners of the parent company	2(e)	**19.6**	(34.9)
Minority Interest		**1.7**	0.4
		21.3	(34.5)
Earnings per share			
Basic	18	**12.2p**	(25.9p)
Diluted	18	**12.2p**	(25.9p)

Consolidated statement of comprehensive income
For the year ended 31 December 2010

	2010 £m	2009 £m
Profit/(loss) for the period	**21.3**	(34.5)
Movements in effective hedges	**0.5**	1.9
Share of joint venture movements in effective hedges (note 6)	**0.1**	0.6
Other comprehensive income for the period	**0.6**	2.5
Total comprehensive income for the period	**21.9**	(32.0)
Attributable to		
Owners of the parent company	**20.2**	(32.6)
Minority Interest	**1.7**	0.6
	21.9	(32.0)

All movements above are shown net of deferred tax.

Consolidated balance sheet
At 31 December 2010

	Note	2010 £m	2009 £m
Assets			
Investment property	7	**375.7**	403.6
Property, plant and equipment	8	**6.9**	7.4
Investment in joint ventures	9	**161.6**	148.3
Joint venture investment loans	9	**13.2**	12.2
Intangible assets	10	**5.8**	6.5
Total non-current assets		**563.2**	578.0
Completed property	7	**105.1**	204.1
Properties under development	7	**113.0**	38.1
Inventories	11	**2.7**	8.2
Trade and other receivables	12	**44.6**	44.7
Cash and cash equivalents	13	**23.8**	48.8
Total current assets		**289.2**	343.9
Total assets		**852.4**	921.9
Liabilities			
Borrowing and financial derivatives	15	**(0.5)**	(0.2)
Trade and other payables	14	**(52.8)**	(72.6)
Current tax creditor		**(0.5)**	(0.5)
Total current liabilities		**(53.8)**	(73.3)
Borrowings and financial derivatives	15	**(394.9)**	(467.6)
Total non-current liabilities		**(394.9)**	(467.6)
Total liabilities		**(448.7)**	(540.9)
Net assets		**403.7**	381.0
Equity			
Issued share capital		**40.1**	39.9
Share premium		**249.0**	247.5
Merger reserve		**40.2**	40.2
Retained earnings		**70.4**	51.0
Hedging reserve		**(12.2)**	(12.8)
Equity attributable to the owners of the parent company		**387.5**	365.8
Minority interest		**16.2**	15.2
Total equity		**403.7**	381.0

These financial statements were approved by the Board of Directors on 2 March 2011 and were signed on its behalf by:

M C Allan
Director

J J Lister
Director

Company balance sheet
At 31 December 2010

	Note	2010 £m	2009 £m
Assets			
Investments in subsidiaries	9	**106.8**	96.8
Investments in joint ventures	9	**3.7**	1.6
Total investments		**110.5**	98.4
Joint venture investment loan	9	**3.9**	3.8
Total non-current assets		**114.4**	102.2
Trade and other receivables	12	**318.3**	304.6
Cash and cash equivalents	13	**0.5**	1.0
Total current assets		**318.8**	305.6
Total assets		**433.2**	407.8
Current liabilities			
Trade and other payables	14	**(32.0)**	(32.3)
Total current liabilities		**(32.0)**	(32.3)
Net assets		**401.2**	375.5
Equity			
Issued share capital		**40.1**	39.9
Share premium		**249.0**	247.5
Merger reserve		**40.2**	40.2
Retained earnings		**71.9**	47.9
Total equity		**401.2**	375.5

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

These financial statements were approved by the Board of Directors on 2 March 2011 and were signed on its behalf by:

M C Allan
Director

J J Lister
Director

Consolidated statement of changes in shareholders' equity
For the year ended 31 December 2010

	Issued share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Revaluation reserve £m	Hedging reserve £m	Minority interest £m	Total £m
At 1 January 2010	**39.9**	**247.5**	**40.2**	**51.0**	**–**	**(12.8)**	**15.2**	**381.0**
Profit for the period	–	–	–	19.6	–	–	1.7	21.3
Other comprehensive income for the period	–	–	–	–	–	0.6	–	0.6
Total comprehensive income for the period	–	–	–	19.6	–	0.6	1.7	21.9
Shares issued	0.2	1.5	–	–	–	–	–	1.7
Fair value of share-based payments	–	–	–	1.3	–	–	–	1.3
Own shares acquired	–	–	–	(1.5)	–	–	–	(1.5)
Dividends to minority interest	–	–	–	–	–	–	(0.7)	(0.7)
At 31 December 2010	**40.1**	**249.0**	**40.2**	**70.4**	**–**	**(12.2)**	**16.2**	**403.7**

	Issued share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Revaluation reserve £m	Hedging reserve £m	Minority interest £m	Total £m
At 1 January 2009	**31.1**	**176.5**	**40.2**	**85.7**	**1.8**	**(15.1)**	**15.2**	**335.4**
Loss for the period	–	–	–	(34.9)	–	–	0.4	(34.5)
Other comprehensive income for the period	–	–	–	–	–	2.3	0.2	2.5
Total comprehensive income for the period	–	–	–	(34.9)	–	2.3	0.6	(32.0)
Transfer	–	–	–	1.8	(1.8)	–	–	–
Shares issued	8.8	71.0	–	–	–	–	–	79.8
Fair value of share-based payments	–	–	–	0.4	–	–	–	0.4
Own shares acquired	–	–	–	(2.0)	–	–	–	(2.0)
Dividends to minority interest	–	–	–	–	–	–	(0.6)	(0.6)
At 31 December 2009	**39.9**	**247.5**	**40.2**	**51.0**	**–**	**(12.8)**	**15.2**	**381.0**

Company statement of changes in shareholders' equity
For the year ended 31 December 2010

	Issued share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Total £m
At 1 January 2010	**39.9**	**247.5**	**40.2**	**47.9**	**375.5**
Loss for the period	–	–	–	(2.6)	(2.6)
Revaluation of investments in subsidiaries and joint ventures	–	–	–	26.6	26.6
Shares issued	0.2	1.5	–	–	1.7
At 31 December 2010	**40.1**	**249.0**	**40.2**	**71.9**	**401.2**

	Issued share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Total £m
At 1 January 2009	**31.1**	**176.5**	**40.2**	**83.2**	**331.0**
Loss for the period	–	–	–	(2.6)	(2.6)
Revaluation of investments in subsidiaries and joint ventures	–	–	–	(32.7)	(32.7)
Shares issued	8.8	71.0	–	–	79.8
At 31 December 2009	**39.9**	**247.5**	**40.2**	**47.9**	**375.5**

Statements of cash flows
For the year ended 31 December 2010

	Note	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Operating activities					
Profit/(loss) for the year		**21.3**	(34.5)	**(2.6)**	(2.6)
Adjustments for:					
Depreciation and amortisation		**3.3**	3.4	**–**	–
Fair value of share-based payments	4	**1.3**	0.4	**–**	–
Change in value of investment property		**(15.4)**	15.4	**–**	–
Net finance costs	5	**31.5**	19.2	**0.1**	0.3
Loss on disposal of investment property		**2.9**	3.4	**–**	–
Share of joint venture profit	9	**(25.3)**	(6.9)	**–**	–
Trading with joint venture adjustment		**3.7**	(2.2)	**–**	–
Tax credit	6	**2.9**	(1.2)	**–**	–
Cash flows from operating activities before changes in working capital		**26.2**	(3.0)	**(2.5)**	(2.3)
Decrease/(increase) in trade and other receivables		**2.5**	(15.3)	**(0.1)**	(0.3)
Decrease in completed property and property under development		**24.7**	82.1	**–**	–
Decrease in inventories		**4.9**	2.1	**–**	–
Decrease in trade and other payables		**(18.2)**	(0.8)	**(0.3)**	(0.2)
Cash flows from operating activities		**40.1**	65.1	**(2.9)**	(2.8)
Cash flows from taxation		**0.8**	(0.5)	**–**	–
Investing activities					
Proceeds from sale of investment property		**42.7**	52.7	**–**	–
Payments to/on behalf of subsidiaries		**–**	–	**(34.8)**	(472.7)
Payments from subsidiaries		**–**	–	**35.7**	413.2
Equity invested in joint ventures and subsidiaries		**–**	–	**–**	(14.6)
Loans to joint ventures		**–**	(0.3)	**–**	–
Dividends received		**5.4**	6.9	**–**	–
Interest received		**0.2**	0.5	**–**	–
Acquisition of intangible assets		**(1.5)**	(1.6)	**–**	–
Acquisition of property, plant and equipment		**(6.2)**	(24.2)	**–**	–
Cash flows from investing activities		**40.6**	34.0	**0.9**	(74.1)
Financing activities					
Total interest paid		**(15.5)**	(21.6)	**(0.2)**	(0.2)
Interest capitalised into inventory & property under development included in cash flows from operating activities		**2.5**	9.5	**–**	–
Interest paid in respect of financing activities		**(13.0)**	(12.1)	**(0.2)**	(0.2)
Ineffective swap payments		**(11.2)**	(21.3)	**–**	–
Proceeds from the issue of share capital		**1.7**	79.8	**1.7**	79.8
Payments to acquire own shares		**(1.5)**	(2.0)	**–**	–
Proceeds from non-current borrowings		**45.4**	260.4	**–**	–
Repayment of borrowings		**(127.2)**	(440.8)	**–**	–
Dividends paid		**(0.7)**	(0.6)	**–**	–
Cash flows from financing activities		**(106.5)**	(136.6)	**1.5**	79.6
Net (decrease)/increase in cash and cash equivalents		**(25.0)**	(38.0)	**(0.5)**	2.7
Cash and cash equivalents at start of year		**48.8**	86.8	**1.0**	(1.7)
Cash and cash equivalents at end of year	13	**23.8**	48.8	**0.5**	1.0

Notes to the financial statements

1. Significant accounting policies

The UNITE Group plc (the "Company") is a company domiciled in the United Kingdom.

(a) Basis of preparation

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group") and equity account the Group's interest in jointly controlled entities. The parent company financial statements present information about the Company as a separate entity and not about its Group.

Both the parent company financial statements and the Group financial statements have been prepared and approved by the Directors in accordance with International Reporting Standards as adopted by the EU ("Adopted IFRS"). On publishing the parent company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements.

Going concern

The Group's business activities, together with the factors likely to affect its future development and position are set out in the Business Review section on pages 16 to 21. In addition, note 20 to the financial statements includes the Group's objectives, policies and processes for managing its capital; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

As a result of the disposal of assets into USAF towards the end of 2010 and cash expected to be generated from operating activities, the Group's forecast shows that there will be sufficient cash headroom for the foreseeable future. The Group does not have any significant borrowing facilities expiring in 2011, a detailed breakdown of the maturity of borrowings is provided in note 15. During the year, the Group has been successful in extending and restructuring £120 million of borrowings and the Group will continue negotiations with funders during 2011 to extend debt maturities. The Group is in full compliance with its borrowing covenants at 31 December 2010 (see note 20).

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

Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value:

- Investment property
- Investment property under development
- Financial assets and liabilities including interest rate swaps
- Land and buildings included in property, plant and equipment

Accounting standards adopted

The Group has not made any changes to its accounting policies during the year.

Impact of accounting standards and interpretations in issue but not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2010 and have not been applied in preparing these financial statements. None of these are expected to have a material effect on the consolidated financial statements of the Group.

The Group has not early adopted any standard, amendment or interpretation.

Significant judgements and estimates

The preparation of financial statements in conformity with Adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

1. Significant accounting policies (continued)

The accounting policy descriptions set out the areas where judgement needs exercising, the most significant of which are as follows:

Valuation of investment property and investment property under development

- The Group uses the valuation performed by its independent valuers as the fair value of its investment properties. The valuation is based upon assumptions including future rental income, anticipated operating costs, such as maintenance and energy and the appropriate discount rate. The valuers also make reference to market evidence of transaction prices for similar properties. Valuations and current market conditions are discussed further in the Business Review.

Completed property, properties under development and inventories

- Completed property, properties under development and inventories are carried at the lower of cost and net realisable value. However, the valuation of completed property and properties under development is disclosed in the notes to the financial statements and the same factors affecting investment properties as described above apply. These properties are also valued by the independent valuers.

Trade and other receivables

- The Group is required to judge when there is sufficient objective evidence to require the impairment of individual trade and other receivables.

Classification of properties acquired

- All properties acquired that are intended for development as student accommodation have been classified as current assets since, in accordance with the Group's business model, it is intended to sell these assets at some stage after completion to the UNITE UK Student Accommodation Fund or another co-investment vehicle.

Taxation

- The preparation of the tax charge in the financial statements requires the Directors to make significant judgements around the outcome of challenges by HMRC of the tax treatment of certain of the Group's activities; where appropriate, the Directors seek advice from leading tax professionals and tax counsel in arriving at such judgements.

Co-investing vehicles

- The Directors exercise a significant degree of judgement in determining whether the contractual arrangements for control of certain of the Group's co-investing vehicles are such that the fall to be classified as joint ventures under IFRS.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(b) Basis of consolidation

(i) Subsidiaries

Subsidiaries are those entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Joint ventures

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. The consolidated financial statements include joint ventures initially at cost subsequently increased or decreased by the Group's share of total recognised gains and losses of joint ventures on an equity basis. Interest free joint venture investment loans are initially recorded at fair value; the difference between the nominal amount and fair value is treated as an investment in joint venture. The implied discount is amortised over the contracted life of the investment.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains and losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with joint ventures are eliminated to the extent of the Group's retained interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains except where the loss provides evidence of a reduction in the net realisable value of current assets or an impairment in value of fixed assets.

Notes to the financial statements continued

1. Significant accounting policies (continued)

(iv) Goodwill
Goodwill represents the difference between the cost of an acquisition and the fair value of the Group's share of the identifiable net assets and contingent liabilities of the acquired subsidiary at the effective date of acquisition. Goodwill on acquisitions is reported in the balance sheet as an intangible asset and is impairment tested annually. The carrying amount of goodwill is assessed annually and written down to its recoverable amount.

The profit or loss on disposal of assets is calculated by reference to the carrying value at the date of disposal, including the attributable amount of goodwill which remains unimpaired.

(c) Financial instruments

(i) Derivative financial instruments
The Group uses derivative financial instruments to hedge its exposure to interest rate risks arising from operational, financing and investment activities.

Derivative financial instruments are recognised initially and subsequently at fair value, with mark to market movements recognised in the income statement except where cash flow hedge accounting is applied (see below).

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current credit worthiness of the swap counterparties.

In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments. Mark to market movements on these derivatives are shown in the income statement and receipts and payments under the swaps are shown as interest in the segmental analysis in note 2 when arriving at Net Portfolio Contribution.

(ii) Hedge accounting for interest rate swaps
Where an interest rate swap is designated as a hedge of the variability in cash flows of an existing or highly probable forecast loan interest payment, the effective part of any valuation gain or loss on the swap instrument is recognised directly in equity in the hedging reserve. The cumulative gain or loss is removed from equity and recognised in the income statement at the same time as the hedged transaction. The ineffective part of any gain or loss is recognised in the income statement immediately.

When a hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

(d) Investment property
Investment properties are those held to earn rental income or for capital appreciation or both. Investment properties are stated at fair value. External, independent valuers, having an appropriate recognised professional qualification, value the portfolio every six months. The fair values are based on the market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction where the parties had each acted knowledgeably, prudently and without compulsion.

The valuations are prepared by considering the aggregate of the net annual rents receivable from the properties and where relevant, associated costs.

Valuations reflect, where appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting of vacant accommodation and the market's general perception of their credit worthiness; the allocation of maintenance and insurance responsibilities between lessor and lessee; and the remaining economic life of the property. It has been assumed that whenever rent reviews or lease renewals are pending with anticipated reversionary increases, all notices and where appropriate counter notices have been served validly and within the appropriate time.

Any gain or loss arising from a change in fair value is recognised in the income statement. Rental income is accounted for as described in accounting policy (o).

Investment properties held under operating leases are not included in assets.

The recognition of acquisitions and disposals of investment and other property occurs on unconditional exchange of contracts.

(e) Investment property under development
Property that is being constructed or developed for future use as investment property is classified as investment property under development, whereas properties purchased with the intention of selling them to the UNITE UK Student Accommodation Fund are classified as property under development (see (i) below). Investment property under development is stated at fair value. External, independent valuers, having an appropriate recognised professional qualification, value the portfolio every six months. The fair values are on the same basis as those used for investment properties but including adjustments to remove the fair value of construction, which has yet to take place and making reasonable assumptions regarding expected rentals and costs.

1. Significant accounting policies (continued)

Any gain or loss arising from a change in fair value is recognised in the income statement.

All costs directly associated with the purchase and construction of a property, and all subsequent qualifying expenditure is capitalised.

Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalisation of borrowing costs continues until the assets are substantially ready for their intended use but stops if development activities are suspended. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised. The capitalisation rate is arrived at by reference to the actual rate payable on borrowings for development purposes or, with regard to that part of the development cost financed out of general borrowings, to the average rate. During the year the average capitalisation rate used was 7.0% (2009: 6.7%).

(f) Property, plant and equipment

(i) Owned assets

Other than land and buildings, property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses. The cost of self constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Land and buildings held in property, plant and equipment are stated at fair value. The valuation has been carried out by an external, independent valuer, having an appropriate recognised professional qualification. The fair values are based on the market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction where the parties had each acted knowledgeably, prudently and without compulsion.

(ii) Leased assets

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Property held under finance leases and leased out under operating leases is classified as investment property and carried at fair value (see accounting policy (d)).

(iii) Depreciation

Depreciation is charged to the income statement on a straight line basis over the estimated useful lives of items of property, plant and equipment. Freehold land is not depreciated. The estimated useful lives are as follows:

– Freehold buildings	50 years
– Leasehold improvements	Shorter of life of lease and economic life
– Fixtures and fittings	4 years
– Motor vehicles	4 years
– Plant and equipment	4–20 years

Assets held under finance leases which do not transfer title of the assets to the Group at the end of the lease, are depreciated over the shorter of the estimated useful lives shown above and the term of the lease. The residual value, if not insignificant, is reassessed annually.

(g) Investments in subsidiaries and joint ventures

The treatment of these investments in the Group's consolidated financial statements is set out in the "basis of preparation" section above.

In the financial statements of the Company, investments in subsidiaries and joint ventures are carried at fair value with movements in fair value being recognised directly in equity.

(h) Intangible assets

Expenditure on research activities is recognised in the income statement as an expense incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. The Group's development costs relate to designs and processes at the Group's manufacturing facility.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to the income statement on a straight line basis over the estimated useful lives of intangible assets from the date they are available for use over the following periods:

– Development cost	4–5 years
– Computer software	4–5 years

Notes to the financial statements
continued

1. Significant accounting policies (continued)

(i) Completed property, property under development and inventories
Completed properties and properties under development are properties purchased with the intention of selling them to the UNITE UK Student Accommodation Fund following completion. These properties and inventories are shown at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. Costs are arrived at in the same way as used for investment property under development (see note (e) above).

Inventories include land held for development, which are sites purchased without planning permission. Once planning permission is obtained the assets transfer to either property under development or investment property under development.

(j) Trade receivables and payables
Trade receivables and payables are initially recognised at fair value and subsequently measured at amortised cost and discounted as appropriate.

(k) Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(l) Share capital
(i) Ordinary share capital
Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction, net of tax, in equity from the proceeds. Share issue costs incurred directly in connection with a business combination are deducted from the proceeds of the issue.

(ii) Dividends
Dividends are recognised as a liability in the year in which they are declared.

(m) Interest bearing borrowings
Interest bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(n) Employee benefits
(i) Defined contribution plans
Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

(ii) Share-based payment transactions
The Group's share option schemes allow employees to acquire shares of the Company. The fair value is measured at grant date and spread over the period during which employees become unconditionally entitled to the options. For options with non-market vesting conditions the amount recognised as an expense is adjusted for the number of options that are expected to vest, no such adjustment is made for options with market based vesting conditions. When the options are exercised, equity is increased by the amount of the proceeds received.

The Group funds the purchase of its own shares by the "Employee share ownership trust" to meet the obligations of the Long-Term Incentive Plan (LTIP) and executive bonus scheme. The purchases are shown as "Own shares acquired" in the retained earnings.

(o) Revenue
(i) Rental income
Rental income from investment and completed property leased out under operating leases is recognised in the income statement on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income and spread over the period to the first break clause or over the term of the lease where no break clause exists.

(ii) Management and promote fees
Management and promote fees are recognised, in line with the management contracts, in the period to which they relate. The Group can earn promote fees relative to criteria specified in the joint venture agreements.

(iii) Property sales
In addition to development management fees, detailed above, income relating to the sale of trading properties is recognised once contracts for sale have been unconditionally exchanged.

(iv) Manufacturing revenue
Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

1. Significant accounting policies (continued)

(p) Expenses

(i) Lease payments

Payments made under operating leases are recognised in the income statement on a straight line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Where the property interest under an operating lease is classified as an investment property, the property interest is accounted for as if it were a finance lease and the fair value model is used for the asset recognised.

(ii) Net financing costs

Net financing costs comprise interest payable on borrowings less interest receivable on funds invested (both calculated using the effective interest rate method) and gains and losses on hedging instruments that are recognised in the income statement (refer accounting policy (c)).

(q) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries and joint ventures to the extent that they will probably not reverse in the foreseeable future. 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 tax rates enacted or substantively enacted at the balance sheet date. The deferred tax provision in respect of property assets is calculated on the basis that assets will not be held indefinitely and therefore takes account of available indexation.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Notes to the financial statements
continued

2. Segment reporting

Segment information for the Group is presented in respect of the Group's business segments based on the Group's management and internal reporting structure. The Group undertakes its Development and Investment activities directly and in joint ventures with third parties. The joint ventures are an integral part of each segment and have similar economic and other characteristics to the Group's direct activities. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis and is reported excluding mark to market and valuation movements.

The Directors do not consider that the Group has meaningful geographical segments as it operated exclusively in the United Kingdom in the year.

The Group's Development segment undertakes the acquisition and development of properties, (including the manufacture and sale of modular building components) to practical completion. The Development segment's revenue predominantly comprises the sales proceeds of properties, including those sold to the UNITE UK Student Accommodation Fund; it also includes revenue from the sale of modules to third parties and joint ventures, and development management fees earned from joint ventures.

The Investment segment comprises the asset and property management of completed properties, owned directly by the Group or by joint ventures. Its revenues are derived from net rental income and asset management fees earned from joint ventures.

(a) Adjusted results

The Group reports an adjusted profit/(loss), on the basis recommended for real estate companies by EPRA, the European Public Real Estate Association, with the exception of profits and losses relating to sales or impairments to trading properties. EPRA recommends that real estate investment companies exclude these items as they are one-off in nature, however,the development of properties for future sale is an ongoing business activity for the Group and therefore results of this core activity are included in the adjusted result. The adjusted result excludes movements relating to changes in values of investment properties and interest rate swaps, profits on disposal of investment properties and the related tax effects.

The adjusted net assets are shown on the basis recommended for real estate companies by EPRA, which excludes the mark to market valuation of swaps, deferred tax liabilities and recognises all properties at market value.

The segmental analysis set out in detail in notes 2(b) to (e) have been summarised on an adjusted basis below.

	2010			2009		
	Wholly owned £m	**Joint venture £m**	**Total £m**	Wholly owned £m	Joint venture £m	Total £m
Adjusted result						
Rental income	**63.5**	**25.5**	**89.0**	58.2	23.7	81.9
Property operating expenses	**(20.3)**	**(6.6)**	**(26.9)**	(18.7)	(6.1)	(24.8)
Net operating income	**43.2**	**18.9**	**62.1**	39.5	17.6	57.1
Management fees	**8.9**	**(0.5)**	**8.4**	6.4	(0.4)	6.0
Operating expenses	**(13.8)**	**–**	**(13.8)**	(13.9)	–	(13.9)
Finance costs	**(36.5)**	**(10.3)**	**(46.8)**	(33.2)	(9.8)	(43.0)
Investment segment result	**1.8**	**8.1**	**9.9**	(1.2)	7.4	6.2
Corporate and other costs	**(5.4)**	**(0.4)**	**(5.8)**	(5.1)	(0.5)	(5.6)
Net portfolio contribution	**(3.6)**	**7.7**	**4.1**	(6.3)	6.9	0.6
Development segment result	**(1.3)**	**–**	**(1.3)**	(16.8)	–	(16.8)
Swap losses and restructuring	**–**	**–**	**–**	(12.6)	–	(12.6)
Other	**(0.4)**	**–**	**(0.4)**	(0.6)	0.7	0.1
Adjusted profit/(loss)	**(5.3)**	**7.7**	**2.4**	(36.3)	7.6	(28.7)

2. Segment reporting (continued)

(a) Adjusted results (continued)

	2010 Wholly owned £m	2010 Joint venture £m	2010 Total £m	2009 Wholly owned £m	2009 Joint venture £m	2009 Total £m
Summarised adjusted balance sheet						
Rental properties	**493.1**	**391.1**	**884.2**	624.9	304.1	929.0
Properties under development	**137.8**	**0.2**	**138.0**	38.9	31.1	70.0
	630.9	**391.3**	**1,022.2**	663.8	335.2	999.0
Debt on rental properties (net of cash)	**(267.9)**	**(212.5)**	**(480.4)**	(353.3)	(156.6)	(509.9)
Debt on properties under construction	**(66.7)**	**–**	**(66.7)**	(36.7)	(14.5)	(51.2)
	(334.6)	**(212.5)**	**(547.1)**	(390.0)	(171.1)	(561.1)
Other assets/(liabilities)	**6.5**	**(7.1)**	**(0.6)**	(6.0)	(8.9)	(14.9)
Adjusted net assets	**302.8**	**171.7**	**474.5**	267.8	155.2	423.0

(b) Segment result (see through basis)

Information on the Group's investment activities on a see through basis (showing the Group's share of joint ventures), including an allocation of interest, is set out below.

	100% UNITE			Share of co-invested joint ventures					Group on see through basis
2010	Wholly owned £m	Leased/other £m	**Total £m**	USAF £m	Capital Cities £m	Student Village £m	OCB £m	**Total £m**	**Total £m**
Rental income	45.7	17.8	**63.5**	14.9	7.1	2.7	0.8	**25.5**	**89.0**
Property operating expenses*	(12.0)	(8.3)	**(20.3)**	(4.2)	(1.4)	(0.8)	(0.2)	**(6.6)**	**(26.9)**
Net operating income	33.7	9.5	**43.2**	10.7	5.7	1.9	0.6	**18.9**	**62.1**
Management fees	–	8.9	**8.9**	–	(0.5)	–	–	**(0.5)**	**8.4**
Operating expenses	–	(13.8)	**(13.8)**	–	–	–	–	**–**	**(13.8)**
	33.7	4.6	**38.3**	10.7	5.2	1.9	0.6	**18.4**	**56.7**
Operating lease rentals	–	(12.1)	**(12.1)**	–	–	–	–	**–**	**(12.1)**
Loan interest and similar charges	(13.6)	–	**(13.6)**	(4.5)	(4.1)	(1.3)	(0.5)	**(10.4)**	**(24.0)**
Interest rate swap payments	(11.0)	–	**(11.0)**	–	–	–	–	**–**	**(11.0)**
Finance income	0.2	–	**0.2**	0.1	–	–	–	**0.1**	**0.3**
Financing costs	(24.4)	(12.1)	**(36.5)**	(4.4)	(4.1)	(1.3)	(0.5)	**(10.3)**	**(46.8)**
Investment segment result	9.3	(7.5)	**1.8**	6.3	1.1	0.6	0.1	**8.1**	**9.9**
Corporate costs	–	(5.4)	**(5.4)**	–	–	–	–	**–**	**(5.4)**
Share of joint venture overhead	–	–	**–**	(0.1)	(0.2)	–	(0.1)	**(0.4)**	**(0.4)**
Net portfolio contribution	9.3	(12.9)	**(3.6)**	6.2	0.9	0.6	–	**7.7**	**4.1**

* Operating lease rentals result from sale and leaseback transactions which are considered a form of financing, hence the costs are shown next to interest above. Property operating expenses and operating lease rentals are shown as cost of sales in Note 2(d).

Notes to the financial statements
continued

2. Segment reporting (continued)

(b) Segment result (see through basis) (continued)

2009	Wholly owned £m	Leased/other £m	100% UNITE Total £m	USAF £m	Capital Cities £m	Student Village £m	OCB £m	Share of co-invested joint ventures Total £m	Group on see through basis Total £m
Rental income	43.2	15.0	**58.2**	14.5	6.6	2.6	–	**23.7**	**81.9**
Property operating expenses*	(12.9)	(5.7)	**(18.6)**	(4.0)	(1.3)	(0.8)	–	**(6.1)**	**(24.7)**
Net operating income	30.3	9.3	**39.6**	10.5	5.3	1.8	–	**17.6**	**57.2**
Management fees	–	6.3	**6.3**	–	(0.4)	–	–	**(0.4)**	**5.9**
Operating expenses	–	(13.9)	**(13.9)**	–	–	–	–	**–**	**(13.9)**
	30.3	1.7	**32.0**	10.5	4.9	1.8	–	**17.2**	**49.2**
Operating lease rentals	–	(10.7)	**(10.7)**	–	–	–	–	**–**	**(10.7)**
Loan interest and similar charges	(13.3)	–	**(13.3)**	(5.0)	(3.6)	(1.3)	–	**(9.9)**	**(23.2)**
Interest rate swap payments	(9.7)	–	**(9.7)**	–	–	–	–	**–**	**(9.7)**
Finance income	0.5	–	**0.5**	0.1	–	–	–	**0.1**	**0.6**
Financing costs	(22.5)	(10.7)	**(33.2)**	(4.9)	(3.6)	(1.3)	–	**(9.8)**	**(43.0)**
Investment segment result	7.8	(9.0)	**(1.2)**	5.6	1.3	0.5	–	**7.4**	**6.2**
Corporate costs	–	(5.1)	**(5.1)**	–	–	–	–	**–**	**(5.1)**
Share of joint venture overhead	–	–	**–**	(0.2)	(0.2)	–	(0.1)	**(0.5)**	**(0.5)**
Net portfolio contribution	7.8	(14.1)	**(6.3)**	5.4	1.1	0.5	(0.1)	**6.9**	**0.6**

* Operating lease rentals result from sale and leaseback transactions which are considered a form of financing, hence the costs are shown next to interest above. Property operating expenses and operating lease rentals are shown as cost of sales in note 2(d).

(c) Segment assets and liabilities (see through basis)

The Group's balance sheet by segment, together with its share of joint venture assets and liabilities are set out on a see through basis below. The completed properties, which are developed with a view to sale to USAF, generate returns prior to sale that are included within the investment result. As a consequence of the role in both segments these assets have be treated as unallocated in the segmental analysis below.

2. Segment reporting (continued)

31 December 2010

(c) Segment assets and liabilities (see through basis) (continued)

	100% UNITE wholly owned £m	Share of co-invested joint ventures USAF £m	Capital Cities £m	Student Village £m	OCB £m	Total £m	Group on see through basis Total £m
Investment property	**375.7**	201.1	113.6	31.5	44.9	**391.1**	**766.8**
Investment property under development	**–**	–	0.2	–	–	**0.2**	**0.2**
Completed property	**105.1**	–	–	–	–	**–**	**105.1**
Property under development	**113.0**	–	–	–	–	**–**	**113.0**
Investment & development property	**593.8**	201.1	113.8	31.5	44.9	**391.3**	**985.1**
Cash – investment	**23.5**	5.3	2.0	1.8	1.1	**10.2**	**33.7**
Other assets – investment	**53.5**	0.2	0.1	–	0.5	**0.8**	**54.3**
Other assets – development	**6.5**	–	–	–	–	**–**	**6.5**
Other assets	**83.5**	5.5	2.1	1.8	1.6	**11.0**	**94.5**
Debt – investment	**(239.4)**	(99.1)	(76.0)	(22.4)	(25.2)	**(222.7)**	**(462.1)**
Debt – completed property	**(52.0)**	–	–	–	–	**–**	**(52.0)**
Debt – development	**(66.7)**	–	–	–	–	**–**	**(66.7)**
Other liabilities – investment	**(43.4)**	(3.2)	(1.7)	(1.6)	(1.7)	**(8.2)**	**(51.6)**
Other liabilities – development	**(9.7)**	–	–	–	–	**–**	**(9.7)**
Interest rate swaps	**(37.3)**	(1.8)	(8.1)	(1.2)	(1.6)	**(12.7)**	**(50.0)**
Total liabilities	**(448.5)**	(104.1)	(85.8)	(25.2)	(28.5)	**(243.6)**	**(692.1)**
Net assets attributable to owners of the parent company	**228.8**	102.5	30.1	8.1	18.0	**158.7**	**387.5**
Minority Interest	**0.1**	16.1	–	–	–	**16.1**	**16.2**
Net assets	**228.9**	118.6	30.1	8.1	18.0	**174.8**	**403.7**

Adjusted net assets

Net assets attributable to owners of the parent company	**228.8**	102.5	30.1	8.1	18.0	**158.7**	**387.5**
Mark to market of interest rate swaps	**36.9**	1.8	8.1	1.2	1.6	**12.7**	**49.6**
Valuation gain not recognised on property held at cost	**37.1**	–	–	–	–	**–**	**37.1**
Deferred tax	**–**	–	–	0.3	–	**0.3**	**0.3**
Adjusted net assets	**302.8**	104.3	38.2	9.6	19.6	**171.7**	**474.5**

Reconciliation of segment assets and liabilities to balance sheet

Investment assets	**452.7**	206.6	115.7	33.3	46.5	**402.1**	**854.8**
Development assets	**119.5**	–	0.2	–	–	**0.2**	**119.7**
Completed property assets	**105.1**	–	–	–	–	**–**	**105.1**
Assets attributable to minority interest	**0.3**	–	–	–	–	**–**	**0.3**
Total assets	**677.6**	206.6	115.9	33.3	46.5	**402.3**	**1,079.9**
Interest in joint ventures	**174.8**						
	852.4						
Investment liabilities	**(320.1)**	(104.1)	(85.8)	(25.2)	(28.5)	**(243.6)**	**(563.7)**
Development liabilities	**(76.4)**	–	–	–	–	**–**	**(76.4)**
Completed property liabilities	**(52.0)**	–	–	–	–	**–**	**(52.0)**
Liabilities attributable to minority interest	**(0.2)**	–	–	–	–	**–**	**(0.2)**
Total liabilities	**(448.7)**	(104.1)	(85.8)	(25.2)	(28.5)	**(243.6)**	**(692.3)**

See through gearing is calculated on an adjusted basis as 115% (2009: 133%).

Notes to the financial statements
continued

2. Segment reporting (continued)

31 December 2009

(c) Segment assets and liabilities (see through basis) (continued)

	100% UNITE wholly owned £m	Share of co-invested joint ventures					Group on see through basis
		USAF £m	Capital Cities £m	Student Village £m	OCB £m	Total £m	Total £m
Investment property	**403.6**	163.7	110.9	29.5	–	**304.1**	**707.7**
Investment property under development	**–**	–	0.2	–	30.9	**31.1**	**31.1**
Completed property	**204.1**	–	–	–	–	**–**	**204.1**
Property under development	**38.1**	–	–	–	–	**–**	**38.1**
Investment & development property	**645.8**	163.7	111.1	29.5	30.9	**335.2**	**981.0**
Cash – investment	**48.4**	13.7	2.0	2.2	2.0	**19.9**	**68.3**
Other assets – investment	**54.2**	0.2	0.2	0.1	–	**0.5**	**54.7**
Other assets – development	**12.5**	–	–	–	0.7	**0.7**	**13.2**
Other assets	**115.1**	13.9	2.2	2.3	2.7	**21.1**	**136.2**
Debt – investment	**(276.0)**	(77.8)	(76.0)	(22.7)	–	**(176.5)**	**(452.5)**
Debt – completed property	**(125.7)**	–	–	–	–	**–**	**(125.7)**
Debt – development	**(36.7)**	–	–	–	(14.5)	**(14.5)**	**(51.2)**
Other liabilities – investment	**(45.0)**	(2.4)	(1.8)	(1.9)	–	**(6.1)**	**(51.1)**
Other liabilities – development	**(27.8)**	–	(0.3)	–	(3.7)	**(4.0)**	**(31.8)**
Interest rate swaps	**(29.4)**	(1.8)	(6.1)	(1.3)	(0.5)	**(9.7)**	**(39.1)**
Total liabilities	**(540.6)**	(82.0)	(84.2)	(25.9)	(18.7)	**(210.8)**	**(751.4)**
Net assets attributable to owners of the parent company	**220.3**	95.6	29.1	5.9	14.9	**145.5**	**365.8**
Minority Interest	**0.2**	15.0	–	–	–	**15.0**	**15.2**
Net assets	**220.5**	110.6	29.1	5.9	14.9	**160.5**	**381.0**

Adjusted net assets

Net assets attributable to owners of the parent company	**220.3**	95.6	29.1	5.9	14.9	**145.5**	**365.8**
Mark to market of interest rate swaps	**29.5**	1.8	6.1	1.3	0.5	**9.7**	**39.2**
Valuation gain not recognised on property held at cost	**18.0**	–	–	–	–	**–**	**18.0**
Deferred tax	**–**	–	–	–	–	**–**	**–**
Adjusted net assets	**267.8**	97.4	35.2	7.2	15.4	**155.2**	**423.0**

Reconciliation of segment assets and liabilities to balance sheet

Investment assets	**506.2**	177.6	113.1	31.8	2.0	**324.5**	**830.7**
Development assets	**50.6**	–	0.2	–	31.6	**31.8**	**82.4**
Completed property assets	**204.1**	–	–	–	–	**–**	**204.1**
Assets attributable to minority interest	**0.3**	–	–	–	–	**–**	**0.3**
Total assets	**761.2**	177.6	113.3	31.8	33.6	**356.3**	**1,117.5**
Interest in joint ventures	**160.5**						
	921.7						
Investment liabilities	**(350.4)**	(82.0)	(83.9)	(25.9)	(0.5)	**(192.3)**	**(542.7)**
Development liabilities	**(64.5)**	–	(0.3)	–	(18.2)	**(18.5)**	**(83.0)**
Completed property liabilities	**(125.7)**	–	–	–	–	**–**	**(125.7)**
Liabilities attributable to minority interest	**(0.2)**	–	–	–	–	**–**	**(0.2)**
Total liabilities	**(540.8)**	(82.0)	(84.2)	(25.9)	(18.7)	**(210.8)**	**(751.6)**

See through gearing is calculated on an adjusted basis as 133% (2008: 174%).

2. Segment reporting (continued)

(d) Segment revenues and costs

2010	Note	Investment segment £m	Development segment £m	Unallocated corporate costs £m	Total £m
Revenue		**72.2**	**121.2**	**–**	**193.4**
Cost of sales		**(32.4)**	**(109.9)**	**–**	**(142.3)**
Write down of work in progress, property under development and completed property		**–**	**(4.7)**	**–**	**(4.7)**
Total cost of sales		**(32.4)**	**(114.6)**	**–**	**(147.0)**
Operating expenses – Factory		**–**	**(4.8)**	**–**	**(4.8)**
Operating expenses – Other		**(13.8)**	**(3.2)**	**(6.7)**	**(23.7)**
		26.0	**(1.4)**	**(6.7)**	**17.9**
Loan interest and similar charges		**(13.6)**	**(0.2)**	**–**	**(13.8)**
Interest rate swap payment on ineffective hedges		**(11.0)**	**–**	**–**	**(11.0)**
Finance income		**0.2**	**–**	**–**	**0.2**
Share of joint venture investment segment result		**8.1**	**–**	**–**	**8.1**
Adjust for minority interest		**0.2**	**0.3**	**–**	**0.5**
Segment result/corporate costs	2(e)	**9.9**	**(1.3)**	**(6.7)**	**1.9**

2009	Note	Investment segment £m	Development segment £m	Unallocated corporate costs £m	Total £m
Revenue		64.4	201.0	–	265.4
Cost of sales		(29.4)	(198.0)	–	(227.4)
Write down of work in progress, property under development and completed property		–	(19.6)	–	(19.6)
Total cost of sales		(29.4)	(217.6)	–	(247.0)
Operating expenses		(13.9)	(0.7)	(8.5)	(23.1)
		21.1	(17.3)	(8.5)	(4.7)
Loan interest and similar charges		(13.3)	–	–	(13.3)
Interest rate swap payment on ineffective hedges		(9.7)	–	–	(9.7)
Finance income		0.5	–	–	0.5
Share of joint venture investment segment result		7.4	–	–	7.4
Adjust for minority interest		0.2	0.5	–	0.7
Segment result/corporate costs	2(e)	6.2	(16.8)	(8.5)	(19.1)

Investment segment revenue

	31 Dec 2010 £m	31 Dec 2009 £m
Management fees (note 2b)	**8.9**	6.4
Adjust asset management fee for minority interest	**(0.2)**	(0.2)
Management fees per income statement	**8.7**	6.2
Rental income from wholly owned and leased assets (note 2(b))	**63.5**	58.2
Investment segment revenue	**72.2**	64.4

Development segment revenue

	31 Dec 2010 £m	31 Dec 2009 £m
Property sales from completed properties and properties under development	**111.9**	190.0
Manufacturing revenue	**7.2**	9.9
Development management fee	**2.1**	1.1
Development segment revenue	**121.2**	201.0

Revenue from the sale of property shown above includes £103.5 million (2009: £92.8 million) of sales to the UNITE UK Student Accommodation Fund, which represents 54% (2009: 35%) of total revenue.

Notes to the financial statements
continued

2. Segment reporting (continued)

(e) Reconciliation of segment results and adjusted loss

The components of adjusted profit/(loss) are shown below together with a reconciliation to the profit/(loss) reported under IFRS. The items shown in this table represents the amounts attributable to the parent company shareholders and are, therefore net of any minority interest.

Reconciliation of segment result to adjusted profit/(loss)	Note	31 Dec 2010 £m	31 Dec 2009 £m
Investment segment result	2(b)	**9.9**	6.2
Development segment result	2(d)	**(1.3)**	(16.8)
Other unallocated items			
Corporate costs (excluding share option fair value charges)		**(5.4)**	(5.1)
Share option fair value charges		**(1.3)**	(0.4)
Restructuring costs		**–**	(3.0)
	2(d)	**1.9**	(19.1)
Share of joint venture overheads		**(0.4)**	(0.5)
Swap loss realised on cancellation		**–**	(9.6)
Share of joint venture current tax credit		**–**	0.7
Current tax credit/(charge)		**0.9**	(0.2)
Adjusted profit/(loss) for the year attributable to owners of the parent company		**2.4**	(28.7)

Reconciliation of adjusted profit/(loss) to IFRS reported loss		
Adjusted profit/(loss) for the year attributable to owners of the parent company	**2.4**	(28.7)
Net valuation gains/(losses) on properties	**15.4**	(15.3)
Loss on sale of property	**(2.9)**	(3.4)
Share of joint venture valuation gains/(losses)	**16.8**	(1.4)
Share of joint venture profit on disposal	**–**	0.1
Mark to market changes in interest rate swaps	**(18.6)**	2.8
Share of joint venture changes in fair value of interest rate swaps	**(0.3)**	(0.1)
Interest rate swap payments on ineffective hedges allocated to investment segment	**11.0**	9.7
Deferred tax	**(3.7)**	1.6
Share of joint venture deferred tax	**(0.5)**	–
Profit/(loss) for the year attributable to owners of the parent company	**19.6**	(34.9)

3. Expenses

Group result before tax is stated after charging/(crediting):

	2010		2009	
	£m	£m	£m	£m
Auditor's remuneration				
Fees payable to the Company's auditor for the audit of the Company's financial statements		0.2		0.2
Fees payable to the Company's auditor for other services:				
– The audit of the Company's subsidiaries		0.1		0.1
– Taxation		0.3		0.4
– Relating to corporate finance transactions		–		0.5
Depreciation of property, plant and equipment		1.1		1.4
Net valuation (gains)/losses on investment property:				
– Investment property	(15.4)		8.4	
– Write down of investment property under development	–		6.7	
– Freehold land and buildings	–		0.2	
		(15.4)		15.3
Loss on disposal of investment property to:				
– USAF (see note 9)	1.0		–	
– Other purchasers	1.9		3.4	
		2.9		3.4
Amortisation of intangible assets other than goodwill (included in administrative expenses)		2.2		2.0
Rentals paid under operating leases		14.5		13.3

Non-audit fees in respect of the parent company are included within the Group amounts as disclosed above.

4. Staff numbers and costs

The average number of persons employed by the Group (including Directors) during the year, analysed by category, was as follows:

	Number of employees	
	2010	2009
Managerial and administrative	370	376
Site operatives	543	515
	913	891

The aggregate payroll costs of these persons were as follows:

	2010 £m	2009 £m
Wages and salaries	27.7	27.8
Social security costs	2.9	2.8
Pension costs	0.6	0.6
Fair value of share based-payments	1.3	0.4
	32.5	31.6

Notes to the financial statements
continued

4. Staff numbers and costs (continued)

Directors' remuneration

Group

	2010 £m	2009 £m
Directors' emoluments	**1.5**	1.2

The aggregate amount paid to money purchase pension schemes in respect of the Directors for the year was £96,638 (2009: £78,200). Retirement benefits accrued to three Directors during the year (2009: three Directors).

Full details of Directors' remuneration are disclosed on pages 39 to 44.

5. Net financing costs

Group

	2010 £m	2009 £m
Recognised in the income statement:		
Finance income		
– Interest income on deposits	**(0.2)**	(0.5)
– Impact of discounting on interest free joint venture investment loans (note 9)	**(0.7)**	(0.4)
Finance income	**(0.9)**	(0.9)
Gross interest expense on loans	**16.3**	24.3
Interest capitalised	**(2.5)**	(10.9)
Loan interest and similar charges	**13.8**	13.4
Changes in mark to market of interest rate swaps (ineffective hedges)	**18.6**	6.7
Finance costs	**32.4**	20.1
Net financing costs	**31.5**	19.2
Recognised directly in equity:		
Changes in mark to market of interest rate swaps (effective hedges)	**0.5**	(3.5)

6. Tax credit

Group

Recognised in the income statement:

	2010 £m	2009 £m
Current tax (credit)/charge		
Corporation tax in respect of income	–	–
Income tax on UK rental income arising in overseas Group company	0.5	0.5
Adjustments for prior years	(1.3)	(0.1)
	(0.8)	0.4
Deferred tax charge/(credit)		
Origination and reversal of temporary differences	2.5	(0.3)
Effect of change in tax rate	(0.1)	–
Adjustments for prior years	1.3	(1.3)
	3.7	(1.6)
Total tax charge/(credit) in income statement	2.9	(1.2)

Reconciliation of effective tax rate:

	2010		2009	
	%	£m	%	£m
Profit/(loss) before tax	100.0%	24.2	(100.0)%	(35.7)
Income tax using the domestic corporation tax rate	28.0%	6.8	(28.0)%	(10.0)
Effect of indexation on investment and development property	(14.4)%	(3.5)	0.8%	0.3
Non-deductible expenses	5.4%	1.3	9.2%	3.3
Share of joint venture profit	(2.9)%	(0.7)	(1.1)%	(0.4)
Movement on unprovided deferred tax asset	(1.2)%	(0.3)	22.4%	8.0
Effect on property disposals to USAF	(2.5)%	(0.6)	(2.8)%	(1.0)
Adjustments for prior years – deferred tax	5.4%	1.3	(3.6)%	(1.3)
Adjustments for prior years – current tax	(5.4)%	(1.3)	(0.3)%	(0.1)
Rate difference on deferred tax	(0.4)%	(0.1)	0.0%	–
	12.0%	2.9	(3.4)%	(1.2)

Effects of other comprehensive income:

	2010			2009		
	Gross £m	Tax £m	Net £m	Gross £m	Tax £m	Net £m
Movements on effective hedges	(0.5)	1.0	0.5	3.5	(1.6)	1.9
Share of other comprehensive income of joint ventures	(2.6)	2.7	0.1	0.6	–	0.6
	(3.1)	3.7	0.6	4.1	(1.6)	2.5

The tax effect shown above on the share of joint venture other comprehensive income represents deferred tax arising in the Group's own balance sheet due to the tax see through nature of some of the Group's interests in joint ventures.

Notes to the financial statements
continued

7. Investment and development property

2010	Investment property £m	Investment property under development £m	Completed property £m	Property under development £m	Total £m
At 1 January 2010	403.6	–	204.1	38.1	645.8
Cost capitalised	4.7	–	0.5	76.5	81.7
Interest capitalised	–	–	–	2.5	2.5
Transfer from property under development	–	–	(0.8)	0.8	–
Transfer from work in progress	–	–	–	0.6	0.6
Disposals	(48.0)	–	(96.6)	(3.0)	(147.6)
Net realisable value provision	–	–	(2.1)	(2.5)	(4.6)
Valuation gains	17.4	–	–	–	17.4
Valuation losses	(2.0)	–	–	–	(2.0)
Net valuation gains	15.4	–	–	–	15.4
At 31 December 2010	375.7	–	105.1	113.0	593.8
Carrying value of properties on which borrowings are secured	374.5	–	105.1	102.8	582.4

2009	Investment property £m	Investment property under development £m	Completed property £m	Property under development £m	Total £m
At 1 January 2009	403.7	53.0	75.2	249.1	781.0
Cost capitalised	3.4	13.1	–	95.4	111.9
Interest capitalised	0.1	1.2	–	9.3	10.6
Transfer from property under development	–	–	214.9	(214.9)	–
Transfer from investment property under development	60.6	(60.6)	–	–	–
Transfer from work in progress	–	–	–	0.5	0.5
Disposals	(55.8)	–	(80.7)	(89.6)	(226.1)
Net realisable value provision	–	–	(5.3)	(11.7)	(17.0)
Valuation gains	5.7	0.5	–	–	6.2
Valuation losses	(14.1)	(7.2)	–	–	(21.3)
Net valuation losses	(8.4)	(6.7)	–	–	(15.1)
At 31 December 2009	403.6	–	204.1	38.1	645.8
Carrying value of properties on which borrowings are secured	392.7	–	164.4	22.2	579.3

Property has 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, Jones Lang LaSalle 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 £113.0 million (2009: £38.1 million) and Completed property of £105.1 million (2009: £204.1 million) held in current assets are carried at the lower of cost and net realisable value, but their fair values have been determined as described below.

Following the formation of the UNITE UK Student Accommodation Fund 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 treated as property under development in current assets (carried at the lower of cost and net realisable value), rather than fixed assets (carried at fair value). The impact if these properties were carried at fair value rather than cost is set out in the table below:

7. Investment and development property (continued)

2010	Investment property £m	Investment property under development £m	Completed property £m	Property under development £m	Total £m
At 31 December 2010	375.7	–	105.1	113.0	593.8
Valuation gain not recognised on property held at cost brought forward	–	–	17.2	0.8	18.0
Disposals	–	–	(12.9)	–	(12.9)
Valuation gain not recognised in year	–	–	8.0	24.0	32.0
Fair value at 31 December 2010	375.7	–	117.4	137.8	630.9

2009	Investment property £m	Investment property under development £m	Completed property £m	Property under development £m	Total £m
At 31 December 2009	403.6	–	204.1	38.1	645.8
Valuation gain not recognised on property held at cost brought forward	–	–	5.0	23.9	28.9
Transfer from property under development	–	–	13.4	(13.4)	–
Disposals	–	–	(9.3)	(4.0)	(13.3)
Valuation gain not recognised in year	–	–	8.1	(5.7)	2.4
Fair value at 31 December 2009	403.6	–	221.3	38.9	663.8

Included within investment properties are the following values in respect of leasehold interests:

2010	Investment property £m	Investment property under development £m	Completed property £m	Property under development £m	Total £m
Valuation and net book value					
Long leasehold	44.5	–	–	–	44.5
Short leasehold	10.6	–	–	–	10.6
	55.1	–	–	–	55.1

2009	Investment property £m	Investment property under development £m	Completed property £m	Property under development £m	Total £m
Valuation and net book value					
Long leasehold	43.2	–	–	–	43.2
Short leasehold	10.4	–	–	–	10.4
	53.6	–	–	–	53.6

The total interest included in investment and development properties at 31 December 2010 was £28.4 million (2009: £36.4 million). Total internal costs relating to manufacturing, construction and development costs of Group properties, which have been deducted in arriving at the revaluation uplifts, recognised on these properties, amount to £45.6 million at 31 December 2010 (2009: £49.0 million).

Notes to the financial statements
continued

8. Property, plant and equipment

2010	Freehold land and buildings £m	Leasehold Improvements £m	Motor vehicles, plant and equipment £m	Fixtures, fittings and equipment £m	Total £m
Cost or valuation					
At 1 January 2010	**1.2**	**2.2**	**7.1**	**8.3**	**18.8**
Additions	**–**	**0.2**	**–**	**0.4**	**0.6**
At 31 December 2010	**1.2**	**2.4**	**7.1**	**8.7**	**19.4**
Depreciation and impairment losses					
At 1 January 2010	**0.5**	**1.1**	**3.8**	**6.0**	**11.4**
Depreciation charge for the year	**–**	**0.2**	**0.4**	**0.5**	**1.1**
At 31 December 2010	**0.5**	**1.3**	**4.2**	**6.5**	**12.5**
Carrying amount at 31 December 2010	**0.7**	**1.1**	**2.9**	**2.2**	**6.9**

2009	Freehold land and buildings £m	Leasehold Improvements £m	Motor vehicles, plant and equipment £m	Fixtures, fittings and equipment £m	Total £m
Cost or valuation					
At 1 January 2009	1.4	2.2	6.7	7.9	18.2
Additions	–	–	0.4	0.4	0.8
Revaluation	(0.2)	–	–	–	(0.2)
At 31 December 2009	1.2	2.2	7.1	8.3	18.8
Depreciation and impairment losses					
At 1 January 2009	0.4	0.9	3.3	5.5	10.1
Depreciation charge for the year	0.1	0.3	0.5	0.5	1.4
Disposals	–	(0.1)	–	–	(0.1)
At 31 December 2009	0.5	1.1	3.8	6.0	11.4
Carrying amount at 31 December 2009	0.7	1.1	3.3	2.3	7.4

Valuation

Freehold land and buildings are carried at fair value 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 Messrs King Sturge, Chartered Surveyors as external valuers at the balance sheet date.

The freehold land and buildings carried at value have an historic cost of £1.8 million (2009: £1.8 million).

9. Investments in subsidiaries and joint ventures

Group

	2010 Investment in joint venture £m	2010 Joint venture investment loan £m	2010 Total interest £m	2009 Investment in joint venture £m	2009 Joint venture investment loan £m	2009 Total interest £m
Share of profit:						
Investment segment result	**8.1**	**–**	**8.1**	7.4	–	7.4
Minority interest share of investment segment result	**1.0**	**–**	**1.0**	1.2	–	1.2
Overheads	**(0.4)**	**–**	**(0.4)**	(0.5)	–	(0.5)
Net revaluation gain/(loss)	**18.1**	**–**	**18.1**	(1.5)	–	(1.5)
Current tax	**–**	**–**	**–**	0.7	–	0.7
Deferred tax	**(0.5)**	**–**	**(0.5)**	–	–	–
Impact of discounting on interest free loans	**(0.7)**	**0.7**	**–**	(0.4)	0.4	–
Ineffective swaps recognised in income statement	**(0.3)**	**–**	**(0.3)**	–	–	–
	25.3	**0.7**	**26.0**	6.9	0.4	7.3
Share of items recognised directly in reserves:						
Movement in effective hedges	**(2.6)**	**–**	**(2.6)**	0.5	–	0.5
Deferred tax on movement in effective hedges	**–**	**–**	**–**	0.1	–	0.1
Other:						
Additions	**–**	**–**	**–**	25.8	6.1	31.9
Profit adjustment related to trading with joint venture	**(4.0)**	**0.3**	**(3.7)**	(3.5)	0.1	(3.4)
Distributions received	**(5.4)**	**–**	**(5.4)**	(6.9)	–	(6.9)
	13.3	**1.0**	**14.3**	22.9	6.6	29.5
At start of year	**148.3**	**12.2**	**160.5**	125.4	5.6	131.0
At end of year	**161.6**	**13.2**	**174.8**	148.3	12.2	160.5

The impact of discounting the interest free joint venture loans is included in finance income as disclosed in note 5.

During 2008, USAF Feeder (Guernsey) Ltd was formed, as a subsidiary of the Group, to invest in the UNITE UK Student Accommodation Fund. Some of the Group's unit holding in the fund was transferred to this company. In addition, USAF Feeder (Guernsey) Ltd issued a further £16 million of share capital to an investor, the proceeds of which were used to purchase new units in the fund. The investor's interest in USAF Feeder (Guernsey) Ltd is accounted for as a minority interest in the consolidated accounts. Note 2(c) Segment assets and liabilities (see through basis) shows details of the value of the minority interest's investment.

The Group's interests in joint ventures are held at a carrying value equivalent to its share of the underlying net asset value of the undertaking. The Group's share of joint ventures' results are as follows:

	2010 Profit £m	2010 Gains/(losses) recognised directly in equity £m	2009 Profit £m	2009 Gains/(losses) recognised directly in equity £m
Capital Cities JV	**3.5**	**(2.0)**	(5.1)	0.9
Student Village JV				
– LDC (Project 110) Ltd	**2.0**	**0.1**	1.7	(0.2)
– LDC (Project 170) Ltd	**0.1**	**–**	–	–
UNITE UK Student Accommodation Fund	**16.4**	**–**	8.6	0.4
OCB	**3.3**	**(0.7)**	1.7	(0.5)
	25.3	**(2.6)**	6.9	0.6

Notes to the financial statements
continued

9. Investments in subsidiaries and joint ventures (continued)

The UNITE UK Student Accommodation Fund is the joint venture formed with a consortium of investors in December 2006. This joint venture takes the form of a Jersey unit trust that controls a number of English limited partnerships in which the general partners are USAF GP No.1 Ltd, USAF GP No.4 Ltd, USAF GP No.5 Ltd, USAF GP No.6 Ltd, USAF GP No.8 Ltd, USAF GP No.10 Ltd, USAF GP No.11 Ltd and USAF GP No.12 Ltd, companies incorporated in England and Wales.

The agreements integral to the above, which include the Group assuming delegated responsibility for property and asset management of the venture, result in the Group having joint control of these entities with the investors.

The Group receives management fees and is entitled to a promote fee if the venture outperforms certain benchmarks. This promote fee takes the form of increasing the Group's capital participation in the joint venture. The impact of these fees on the Group results is summarised below.

During the year the Group sold a further five (2009: five) properties into the joint venture for £146.2 million (2009: £95.4 million), this includes £105.7 million (2009: £95.4 million) of completed property held as stock. The profits relating to sales and associated disposal costs and related cash flows are set out below:

	Profit and loss 2010 £m	Profit and loss 2009 £m
Included in revenue (net of joint venture trading adjustment)	**103.5**	92.8
Included in cost of sales	**(93.8)**	(83.6)
Loss relating to the sale of investment properties to USAF pre disposal costs (net of joint venture trading adjustment)	**(1.0)**	–
Disposal costs	**(0.3)**	(0.1)
Profit on disposal of property	**8.4**	9.1

	Cash flow 2010 £m	Cash flow 2009 £m
Completed property		
Gross proceeds	**105.7**	95.4
Part settled by:		
Investment in joint venture	**–**	(18.6)
Net cash flows included in cash flows from operations	**105.7**	76.8
Investment property		
Gross proceeds	**40.5**	–
Disposal costs	**(0.2)**	–
Net cash flows in investing activities	**40.3**	–

During the year the Group's interest in the UNITE UK Student Accommodation Fund was 18.9% (2009: 18.9%). Some of this holding represents the beneficial interest of the minority; the ordinary shareholders of The UNITE Group plc are beneficially interested in 16.3% of the fund (2009: 16.3%).

9. Investments in subsidiaries and joint ventures (continued)

OCB is the joint venture formed with Oasis Capital Bank in August 2009. This joint venture takes the form of companies held by OCB Property Holdings (Jersey) Ltd, incorporated in Jersey, in which the Group has a 25% interest.

The agreements integral to the above, which include the Group assuming delegated responsibility for development, property and asset management of the venture, result in the Group having joint control of these entities with the investors.

The Group receives management fees from the joint venture and recharges other costs in relation to the investment property under development. The impact of these fees on the Group results is summarised below.

During the year the Group sold nil (2009: three) properties under development into the joint venture for £nil (2009: £88.2 million). The profits relating to sales and associated disposal costs and related cash flows are set out below:

	Profit and loss 2010 £m	Profit and loss 2009 £m
Included in revenue (net of joint venture trading adjustment)	–	88.6
Included in cost of sales	–	(89.8)
Disposal costs	–	(0.1)
Loss on disposal of property	–	(1.3)

	Cash flow 2010 £m	Cash flow 2009 £m
Gross proceeds	–	88.2
Part settled by:		
Investment in joint venture	–	(3.6)
Investment loan to joint venture	–	(9.4)
Net cash flows included in cash flows from operations	–	75.2

The Capital Cities JV is the joint venture formed with GIC Real Estate Pte Ltd, a real estate investment vehicle of the Government of Singapore, to develop and operate student accommodation in the capital cities of London, Edinburgh, Dublin and Belfast, in which the Group owns a 30% equity share. This joint venture takes the form of an English limited partnership in which the general partner is LDC (Capital Cities) Ltd, a company incorporated in England and Wales.

The agreements integral to the above, which include the Group assuming primary responsibility for development, property and asset management of the venture, result in the Group having joint control of this entity in conjunction with the majority partner.

The Group receives management fees from the joint venture and recharges other costs in relation to the investment property under development. The impact of these fees on the Group results is summarised below.

The Capital Cities JV properties are partly funded with debt totalling £253.3 million (2009: £253.3 million) which equates to 66.7% (2009: 68.4%) of the market value of these properties. The Group has guaranteed its share, 30%, of this debt amounting to £76.0 million (2009: £76.0 million). This guarantee only takes effect in the event that the joint venture is unable to repay the debt within nine months of it becoming due. The Group considers the likelihood of the guarantee being invoked to be remote based on the level of debt and the time frames allowed under the arrangements. These guarantees are accounted for in accordance with IFRS 4.

Notes to the financial statements
continued

9. Investments in subsidiaries and joint ventures (continued)

The Group's joint venture in student villages with Lehman Brothers is primarily held in LDC (Project 110) Ltd, a company incorporated in England and Wales, whose principal activity is the letting of investment property. Under the Articles of Association, the Group cannot exercise control over this company and its interest amounts to a 51% share of the profits and assets of the joint venture, although it holds a 75% interest in the ordinary shares.

The impact of joint venture management and promote fees and development sales on the Group results is as follows:

	2010 £m	2009 £m
Management Fees		
UNITE UK Student Accommodation Fund	5.3	3.4
Capital Cities JV	2.8	2.8
OCB JV	0.4	–
	8.5	6.2
Development Sales		
Capital Cities	–	0.2
OCB JV	2.1	0.9
	2.1	1.1

The summarised financial information showing the balance sheets and profit of the Group's joint ventures together with its interest therein are as follows:

2010	USAF £m	Capital Cities £m	Student Village £m	OCB £m	Total £m
Investment property	1,231.5	379.5	63.0	179.6	1,853.6
Cash	32.7	6.6	3.5	4.3	47.1
Debt	(607.2)	(253.3)	(44.9)	(100.9)	(1,006.3)
Swap liabilities	(11.0)	(27.0)	(2.4)	(6.3)	(46.7)
Other current assets	1.4	0.4	–	2.0	3.8
Other current liabilities	(22.0)	(5.9)	(3.0)	(7.1)	(38.0)
	625.4	100.3	16.2	71.6	813.5
Investment loans	(2.6)	–	(7.8)	(26.2)	(36.6)
	622.8	100.3	8.4	45.4	776.9
UNITE percentage interest	18.9%	30%	51%	25%	
UNITE share – equity	116.0	30.1	4.2	11.3	161.6
UNITE investment loan	2.6	–	3.9	6.7	13.2
UNITE total interest	118.6	30.1	8.1	18.0	174.8
Profit for the period	71.9	11.6	4.2	13.2	100.9

9. Investments in subsidiaries and joint ventures (continued)

2009	USAF £m	Capital Cities £m	Student Village £m	OCB £m	Total £m
Investment property	1,002.9	370.2	59.0	123.8	1,555.9
Cash	83.8	6.8	4.5	8.2	103.3
Debt	(476.7)	(253.3)	(45.4)	(58.0)	(833.4)
Swap liabilities	(10.8)	(20.5)	(2.6)	(2.2)	(36.1)
Other current assets	1.0	0.5	0.1	2.9	4.5
Other current liabilities	(16.6)	(6.6)	(3.8)	(14.9)	(41.9)
	583.6	97.1	11.8	59.8	752.3
Investment loans	(2.4)	–	(7.7)	(24.1)	(34.2)
	581.2	97.1	4.1	35.7	718.1
UNITE percentage interest	18.9%	30%	51%	25%	
UNITE share – equity	108.2	29.1	2.1	8.9	148.3
UNITE investment loan	2.4	–	3.8	6.0	12.2
UNITE total interest	110.6	29.1	5.9	14.9	160.5
Profit for the period	25.4	(17.0)	3.4	6.8	18.6

Company

	Unlisted subsidiary undertakings		Investment in joint ventures	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Cost or valuation				
At start of year	**96.8**	115.8	**1.6**	0.8
Additions	**–**	14.6	**–**	–
Disposals	**(14.4)**	–	**–**	–
Impact of discounting on interest free loans	**–**	–	**(0.1)**	(0.1)
Revaluation	**24.4**	(33.6)	**2.2**	0.9
At end of year	**106.8**	96.8	**3.7**	1.6

	Joint venture investment loan	
	2010 £m	2009 £m
Investment loan to Student Village joint venture	**3.9**	3.8

Notes to the financial statements
continued

9. Investments in subsidiaries and joint ventures (continued)

The Company has the following investments in principal subsidiaries and joint ventures:

	Country of incorporation	Class of shares held	Ownership 2010	Ownership 2009
LDC (Holdings) plc*	England and Wales	Ordinary	**100%**	100%
UNITE Holdings plc*	England and Wales	Ordinary	**100%**	100%
UNITE Finance Ltd*	England and Wales	Ordinary	**100%**	100%
LDC (Portfolio Four) Ltd	England and Wales	Ordinary	**100%**	100%
UNITE London Ltd	England and Wales	Ordinary	**100%**	100%
Unilodge Holding Ltd	Guernsey	Ordinary	**100%**	100%
LDC (Project 110) Ltd*	England and Wales	Ordinary	**75%**	75%
UNITE Integrated Solutions plc	England and Wales	Ordinary	**100%**	100%
UNITE Modular Solutions Ltd	England and Wales	Ordinary	**100%**	100%
USAF LP Ltd	England and Wales	Ordinary	**100%**	100%
USAF Jersey Investments Ltd	Jersey	Ordinary	**100%**	100%
UNITE (Capital Cities) Jersey Ltd	Jersey	Ordinary	**100%**	100%
LDC (Imperial Wharf) Ltd	England and Wales	Ordinary	**100%**	100%
LDC (MTF Portfolio) Ltd	England and Wales	Ordinary	**100%**	100%
LDC (Project 170) Ltd	England and Wales	Ordinary	**100%**	100%
UNITE Finance One (Property) Ltd	England and Wales	Ordinary	**100%**	100%
USAF Feeder (Guernsey) Ltd	Guernsey	Ordinary	**51%**	51%
OCB UNITE Property Holdings (Jersey) Ltd	Jersey	Ordinary	**25%**	25%
UNITE FM Ltd	England and Wales	Ordinary	**100%**	60%

*Held directly by the Company.

The Company's interest in LDC (Project 110) Ltd gives rise to joint control as explained above.

The Company owns a controlling interest in USAF Feeder (Guernsey) Ltd.

10. Intangible assets

Year ended 31 December 2010	Goodwill £m	Development costs £m	Computer software £m	Total £m
Cost				
At 1 January 2010	**2.6**	**0.8**	**13.3**	**16.7**
Additions	**–**	**0.1**	**1.4**	**1.5**
At 31 December 2010	**2.6**	**0.9**	**14.7**	**18.2**
Amortisation				
At 1 January 2010	**2.6**	**0.4**	**7.2**	**10.2**
Amortisation charge for the year	**–**	**0.2**	**2.0**	**2.2**
At 31 December 2010	**2.6**	**0.6**	**9.2**	**12.4**
Carrying amount at 31 December 2010	**–**	**0.3**	**5.5**	**5.8**

Year ended 31 December 2009	Goodwill £m	Development costs £m	Computer software £m	Total £m
Cost				
At 1 January 2009	2.6	0.7	11.8	15.1
Additions	–	0.1	1.5	1.6
At 31 December 2009	2.6	0.8	13.3	16.7
Amortisation				
At 1 January 2009	2.3	0.2	5.4	7.9
Amortisation charge for the year	–	0.2	1.8	2.0
Impairment charge	0.3	–	–	0.3
At 31 December 2009	2.6	0.4	7.2	10.2
Carrying amount at 31 December 2009	–	0.4	6.1	6.5

11. Inventories

	2010 £m	2009 £m
Finished goods	**–**	5.2
Work in progress	**2.2**	1.4
Raw materials and consumables	**0.5**	1.6
	2.7	8.2

During the year, interest totalling £nil (2009: £0.3 million) was capitalised into land held for development.

Notes to the financial statements
continued

12. Trade and other receivables

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Current				
Trade receivables	**12.0**	18.7	**–**	–
Amounts due from Group undertakings	**–**	–	**318.3**	304.6
Amounts owed by joint ventures	**20.2**	13.2	**–**	–
Prepayments and accrued income	**11.8**	11.5	**–**	–
Other receivables	**0.6**	1.3	**–**	–
	44.6	44.7	**318.3**	304.6

13. Cash and cash equivalents

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Bank balances	**23.8**	48.8	**0.5**	1.0

Bank balances include £15.6 million (2009: £17.1 million) whose use at the balance sheet date is restricted by funding agreements to paying operating costs and loan interest relating to specific properties.

14. Trade and other payables

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Trade payables	**7.1**	11.8	**–**	0.1
Amounts due to Group undertakings	**–**	–	**29.7**	29.7
Other payables and accrued expenses	**45.7**	60.8	**2.3**	2.5
	52.8	72.6	**32.0**	32.3

Trade payables include £2.4 million (2009: £4.0 million) in relation to retentions on construction contracts.

15. Borrowings and financial derivatives

	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Non-current				
Bank and other loans	**357.8**	438.2	**–**	–
Interest rate swaps	**37.1**	29.4	**–**	–
	394.9	467.6	**–**	–
Current				
Bank and other loans	**0.3**	0.2	**–**	–
Interest rate swaps	**0.2**	–	**–**	–
	0.5	0.2	**–**	–

15. Borrowings and financial derivatives (continued)

Maturity analysis

Borrowings fall due as follows:

Group

2010	Carrying value £m	Within 1 year £m	1–2 years £m	2–5 years £m	More than 5 years £m
Bank and other loans	**358.1**	**0.3**	**68.3**	**260.3**	**29.2**

2009	Carrying value £m	Within 1 year £m	1–2 years £m	2–5 years £m	More than 5 years £m
Bank and other loans	438.4	0.2	0.2	408.2	29.8

The Group has various borrowing facilities available to it. The undrawn committed facilities available at 31 December 2010 in respect of which all conditions precedent had been met at that date were as follows:

	2010 £m	2009 £m
Expiring in two to five years		
Investment loan facilities	**39.7**	37.3
Expiring in one year or less		
Working capital facilities	**20.0**	23.0
	59.7	60.3

In addition, there are further committed facilities available where not all conditions precedent have yet been met amounting to £227 million (2009: £277 million). Of this amount, £44 million (2009: £57 million) remains available only for completed properties and £99 million (2009: £32 million) only for development properties, the remaining £84 million (2009: £187 million) is available for both.

Security for the Group's property development and investment financing is by way of first charges over the properties to which they relate. In certain instances, cross guarantees are provided within the Group.

The Company has guaranteed £192 million of its subsidiary companies borrowings (2009: £245 million). The guarantees have been entered into in the normal course of business. A liability would only arise in the event of the subsidiary failing to fulfil its contractual obligations. These guarantees are accounted for in accordance with IFRS 4.

The Group's gearing ratios are calculated as follows:

	Note	2010 £m	2009 £m
Net debt per balance sheet:			
Cash and cash equivalents	13	**23.8**	48.8
Current borrowings	15	**(0.3)**	(0.2)
Non-current borrowings	15	**(357.8)**	(438.2)
Interest rate swaps liabilities	15	**(37.3)**	(29.4)
		(371.6)	(419.0)
Mark to market of interest rate swaps		**36.9**	29.5
Adjusted net debt		**(334.7)**	(389.5)
Basic net asset value		**387.5**	365.8
Adjusted net asset value (note 2(c))		**474.5**	423.0
Basic gearing		**96%**	115%
Adjusted gearing		**71%**	92%
See-through adjusted gearing		**115%**	133%

Notes to the financial statements
continued

16. Deferred tax liabilities

Group

	Assets		Liabilities		Net	
	2010 £m	2009 £m	**2010 £m**	2009 £m	**2010 £m**	2009 £m
Investment property	**–**	–	**7.5**	2.8	**7.5**	2.8
Development property held as stock	**(0.7)**	(2.9)	**–**	–	**(0.7)**	(2.9)
Property, plant and machinery	**(0.3)**	(0.3)	**–**	–	**(0.3)**	(0.3)
Investments in joint ventures	**–**	–	**8.0**	7.4	**8.0**	7.4
Financial instruments	**(10.0)**	(7.0)	**–**	–	**(10.0)**	(7.0)
Financial instruments relating to joint ventures	**(2.7)**	–	**–**	–	**(2.7)**	–
Tax value of carried forward losses recognised	**(1.8)**	–	**–**	–	**(1.8)**	–
Tax (asset)/liabilities	**(15.5)**	(10.2)	**15.5**	10.2	**–**	–
Set off of tax	**15.5**	10.2	**(15.5)**	(10.2)	**–**	–
Net tax liabilities	**–**	–	**–**	–	**–**	–

At 31 December 2010 the Group has calculated a potential deferred tax asset as shown below, however, due to the uncertainty of future taxable profits and the ability to offset these losses against them, it is not appropriate to recognise this asset in the financial statements.

	2010 £m	2009 £m
Tax value of losses	**33.6**	33.2
Tax value of temporary timing differences	**–**	3.5
	33.6	36.7

Movement in temporary timing differences during the year:

2010	**At 31 Dec 2009 £m**	**Transfers £m**	**Recognised in income £m**	**Recognised in equity £m**	**At 31 Dec 2010 £m**
Investment property	**2.8**	**–**	**4.7**	**–**	**7.5**
Development property held as stock	**(2.9)**	**–**	**2.2**	**–**	**(0.7)**
Property, plant and machinery	**(0.3)**	**–**	**–**	**–**	**(0.3)**
Investments in joint ventures	**7.4**	**–**	**0.6**	**–**	**8.0**
Financial instruments	**(7.0)**	**–**	**(2.0)**	**(1.0)**	**(10.0)**
Financial instruments relating to joint ventures	**–**	**–**	**–**	**(2.7)**	**(2.7)**
Tax value of carried forward losses recognised	**–**	**–**	**(1.8)**	**–**	**(1.8)**
	–	**–**	**3.7**	**(3.7)**	**–**

2009	At 31 Dec 2008 £m	Transfers £m	Recognised in income £m	Recognised in equity £m	At 31 Dec 2009 £m
Investment property	10.0	(0.2)	(7.0)	–	2.8
Investment property under development	(0.2)	0.2	–	–	–
Development property held as stock	(4.9)	–	2.0	–	(2.9)
Property, plant and machinery	0.3	–	(0.6)	–	(0.3)
Investments in joint ventures	7.5	–	(0.1)	–	7.4
Financial instruments	(12.7)	–	4.1	1.6	(7.0)
	–	–	(1.6)	1.6	–

Company

Deferred tax has not been recognised on temporary timing differences of £12.1 million (2009: £5.1 million) in respect of revaluation of subsidiaries and investment in joint ventures as it is probable that the temporary timing difference will not reverse in the foreseeable future.

17. Capital and reserves

Company

Share capital

	Number of ordinary shares 2010	2009
Issued at start of year – fully paid	**159,606,942**	124,315,841
Firm placing, placing and open offer	**–**	32,819,972
Shares issued to Long-Term Incentive Plan	**640,000**	2,041,059
Share options exercised	**21,401**	430,070
Issued at end of year – fully paid	**160,268,343**	159,606,942

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Merger reserve

This reserve represents the excess of the fair value over nominal value of shares issued as part consideration for assets acquired.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments where the hedged transaction has not yet occurred, less any related deferred tax.

Dividends

No dividends were declared or paid during either year.

18. Earnings per share and net asset value per share

The calculations of basic and adjusted earnings per share for the Group are as follows:

	Note	2010 £m	2009 £m
Net portfolio contribution	2(a)	**4.1**	0.6
Earnings			
Basic (and diluted)		**19.6**	(34.9)
Adjusted	2(e)	**2.4**	(28.7)
Weighted average number of shares (thousands)			
Basic		**160,074**	134,747
Dilutive potential ordinary shares (share options)		**81**	3
Diluted		**160,155**	134,750
Earnings per share (pence)			
Basic		**12.2**	(25.9)
Diluted		**12.2**	(25.9)
Adjusted		**1.5**	(21.3)

Movements in the weighted average number of shares have resulted from the issue of shares arising from the employee share-based payment schemes.

Notes to the financial statements
continued

18. Earnings per share and net asset value per share (continued)

The calculations of basic, adjusted and diluted net asset value per share for the Group are as follows:

	Note	2010 £m	2009 £m
Net assets attributable to ordinary shareholders			
Basic		**387.5**	365.9
Adjusted pre-dilution	2(c)	**474.5**	423.0
Outstanding share options		**1.5**	1.5
Adjusted diluted		**476.0**	424.5
Number of shares (thousands)			
Basic		**160,268**	159,607
Outstanding share options		**830**	778
Diluted		**161,098**	160,385
Net asset value per share (pence)			
Basic		**242**	229
Adjusted pre dilution		**296**	265
Adjusted diluted		**295**	265

In addition to the potential dilutive ordinary shares (share options) shown above there were a further 794,000 share options in existence at 31 December 2010 (2009: 874,000) which are anti-dilutive.

19. Employee benefits

Share-based payments

The UNITE Group plc operates the following schemes: two executive share option schemes ("the Approved Scheme" and the "Unapproved Scheme"), an executive Long-Term Incentive Plan (the "LTIP"), a Save As You Earn scheme (the "SAYE scheme") and an Employee Share Ownership Trust (ESOT).

Details of the two executive schemes and share options held by Directors are detailed in the Directors' remuneration report.

The SAYE scheme issues options to employees with vesting periods of three to five years. The only condition attaching to this scheme is a service condition.

The ESOT is used to award part of Directors' and senior managers' bonuses in shares. These shares vest after three years continued service.

The number and weighted average exercise prices of share options is as follows:

	Weighted average exercise price 2010	Number of options (thousands) 2010	Weighted average exercise price 2009	Number of options (thousands) 2009
Outstanding at the beginning of the year	**£2.08**	**877**	£1.96	1,607
Forfeited during the year	**£2.31**	**(181)**	£2.22	(480)
Exercised during the year	**£2.38**	**(20)**	£1.52	(430)
Granted during the year	**£1.62**	**199**	£2.22	180
Outstanding at the end of the year	**£1.92**	**875**	£2.08	877
Exercisable at the end of the year	**£1.97**	**474**	£2.01	516

The weighted average remaining contractual life of outstanding options was 1.5 years (2009: 2.2 years).

The weighted average share price on the date of exercise for options exercised during the year was £2.97 (2009: £2.80).

The range of exercise prices on the share options outstanding at the year-end was 129p to 344p (2009: 129p to 371p).

19. Employee benefits (continued)

Fair value of share options and assumptions

The fair value of services received in return for share options granted after 7 November 2002 is measured by reference to the fair value of share options granted. Service conditions and non-market performance conditions are not taken into account in the grant date fair value measurement. The estimates of the fair value of the share options granted is measured based on the following models:

Option scheme	Model used	Reason for model used
Unapproved and approved share option schemes, LTIP – TSR component	Monte Carlo simulations combined with binomial lattice	Monte Carlo simulations used to model FTSE comparator groups (for TSR performance condition) combined with (for share options) binomial lattice to incorporate seven-year exercise window
SAYE share option scheme	Black-Scholes	Service condition only, short exercise window makes a fixed date model appropriate
ESOT bonus awards, LTIP – NAV component	Discounted share price at grant	Awards equates to a gift of free shares with a performance/ service condition. Discounted for dividends not receivable during the service period (ESOT only)

For share options granted in the year, the fair values and assumptions made in applying the valuation models are as follows:

	2010	2009
Weighted average fair value at measurement date	**176p**	78p
Share price	**226–243p**	93–259p
Exercise price	**162p**	222p
Expected volatility	**50%**	50%
Option life	**3–5 years**	3–5 years
Expected dividends	**0.5%**	0.5%
Risk free interest rate (based on UK government bonds)	**1.08%–1.82%**	2.23%–2.89%

The expected volatility is based on the historic volatility (based on a period commensurate with the expected term of the options), adjusted for any expected changes to future volatility due to publicly available information.

The fair value expense recognised in the income statement is disclosed in note 4.

20. Financial Instruments

The Group holds or issues financial instruments for two main purposes:

- To finance the development and subsequent retention of investment properties;
- To manage the interest rate risks arising from its operations and from its sources of finance.

In addition, various financial instruments – such as trade receivables and trade payables – arise from the Group's operations. All financial instruments are sterling denominated. The Group does not trade in financial instruments or derivatives.

The Group finances its development and investment activities through a mixture of retained earnings, borrowings and fresh issues of equity. The Group borrows from major banking institutions primarily at floating rates of interest, using derivatives where appropriate to generate the desired effective interest rate basis. The derivatives used for this purpose are interest rate swaps and caps.

The main risks arising from the Group's financial instruments are interest rate risk and market price risk. The Board reviews and agrees policies for managing each of these risks, they are discussed in the Business review and are summarised below.

Interest rate risk

The Group's exposure to interest rate fluctuations on its borrowings and deposits are managed by using interest rate swaps, caps and in some cases, simple fixed rate borrowing. The Group's policy is separated into three areas:

(i) Development finance

After taking account of interest rate swaps, £27 million of the Group's development borrowing at 31 December 2010 (2009: £nil) is fixed. The Group will continue to review the level of its hedging in the light of the current low interest rate environment.

Notes to the financial statements
continued

20. Financial Instruments (continued)

(ii) Refinancing risk

The Group's principal exposure to interest rate fluctuations during development relates to movements in longer term interest rates, which affect the quantum of debt the property income is capable of servicing at completion. Significant adverse movements undermine the Group's ability to release equity from its developments.

The Group currently manages this risk by retaining swaps of £39.6 million relating to investment properties that have recently been sold with the intention of allocating them against imminent new developments. Prior to this reallocation these swaps were commercially hedging loans against completed properties. The Group policy also allows this exposure to be managed through the use of forward starting swaps.

(iii) Medium and long-term finance

The Group holds its medium and long-term bank finance under floating rate arrangements. The majority of this debt is hedged through the use of interest rate swap agreements, although not all these arrangements qualify for hedge accounting under IAS 39. During 2010, the Group's policy has been to hedge in excess of 50% of the Group's exposure for terms of approximately 2–15 years.

At 31 December 2010, after taking account of interest rate swaps, 97% (2009: 75%) of the Group's medium and long-term investment borrowing was held at fixed rates. The current high percentage is a result of the swaps retained that related to disposed properties referred to above. Excluding the £39.6 million of swaps the fixed investment borrowing is at an average rate of 6.8% (2009: 6.6%) for an average period of 3 years (2009: 4 years). Including these swaps the average rate is 7.0%.

Liquidity risk

With respect to its development activities, the Directors have adopted a policy whereby the Group injects substantially the full amount of equity required for each development before drawing debt under associated facilities. In this way, the funding requirements of each scheme are substantially "ring fenced" and secured at the outset of works.

Some of the Group's banking facilities contain loan to value covenants, which if property values fall far enough may require some debt to be repaid. This position is closely monitored on a regular basis and the Group develops strategies that will minimise the impact of any such repayments on other operations. The year-end position on covenant compliance is shown below.

Some of the Group's medium-term banking facilities are revolving, allowing the Group to apply its cash surpluses in the temporary reduction of its debt obligations.

Market risk

The Group's primary market risk is interest rate exposure. It monitors this exposure through a process of sensitivity analysis, estimating the effect on operating cash flow over various periods of a range of possible changes in interest rates.

At 31 December 2010, it is estimated that a general increase of one percentage point in interest rates would reduce the Group's profit before tax by approximately £0.3 million (2009: £0.9 million). Effective and ineffective interest rate swaps have been included in this calculation.

The Group's policy is to accept a degree of interest rate risk, provided the effects of the various potential changes in rates remain within certain prescribed parameters.

Interest rate swaps maturity

	2010 Nominal amount hedged £m	2010 Applicable interest rates %	2009 Nominal amount hedged £m	2009 Applicable interest rates %
Within 1 year	**5.0**	**4.79**	–	–
1–2 years	**–**	**–**	5.0	4.79
2–5 years	**243.5**	**5.15–5.785**	243.5	4.80–5.785
More than 5 years	**47.1**	**4.50–5.63**	47.1	4.50–5.63

The following is a maturity analysis of financial liabilities using the contractual undiscounted cash flows:

2010	Total £m	Within 1 year £m	1–2 years £m	2–5 years £m	More than 5 years £m
Non-derivative financial liabilities					
Bank and other loans	**398.2**	**11.0**	**78.8**	**272.5**	**35.9**
Trade and other payables	**52.8**	**52.8**	**–**	**–**	**–**
Current tax creditor	**0.5**	**0.5**	**–**	**–**	**–**
Derivative financial liabilities					
Interest rate swaps – effective	**6.1**	**1.8**	**1.6**	**2.0**	**0.7**
Interest rate swaps – ineffective	**46.4**	**11.4**	**11.4**	**21.4**	**2.2**

20. Financial Instruments (continued)

2009	Total £m	Within 1 year £m	1–2 years £m	2–5 years £m	More than 5 years £m
Non-derivative financial liabilities					
Bank and other loans	495.6	11.6	11.6	433.4	39.0
Trade and other payables	72.6	72.6	–	–	–
Current tax creditor	0.5	0.5	–	–	–
Derivative financial liabilities					
Interest rate swaps – effective	8.0	1.8	1.8	3.6	0.8
Interest rate swaps – ineffective	62.4	12.3	12.3	33.4	4.4

The Group is in full compliance with all of its borrowing covenants at 31 December 2010 and continues to actively monitor all of its covenants. The covenant headroom position is outlined below:

	31 December 2010		31 December 2009	
	Weighted covenant	**Weighted actual**	Weighted covenant	Weighted actual
Loan to value	**74%**	**54%***	74%	59%*
Interest cover	**1.11**	**1.60**	1.08	1.63
Minimum net worth	**£250m**	**£475m**	£250m	£423m

*Calculated on the basis that available cash is used to reduce debt.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

	2010 £m	2009 £m
Cash	**23.8**	48.8
Trade receivables (see below)	**12.0**	18.7
Amounts due by joint ventures (excluding loans that are capital in nature)	**20.2**	13.2
Joint venture investment loans	**13.2**	12.2
	69.2	92.9

Amounts receivable from joint ventures are not past due or impaired.

Trade receivables represent amounts due from the Group's external customers as follows:

		Ageing by academic year		
2010	**Total £m**	**2010/11 £m**	**2009/10 £m**	**Prior years £m**
Rental debtors				
Commercial tenants (past due and impaired)	**8.1**	**6.7**	**0.8**	**0.6**
Individual tenants (past due and impaired)	**8.0**	**2.3**	**3.8**	**1.9**
Provisions carried	**(6.3)**	**(1.0)**	**(3.3)**	**(2.0)**
Past due but not impaired	**9.8**	**8.0**	**1.3**	**0.5**
Manufacturing debtors (not past due or impaired)	**2.2**	**2.2**	**–**	**–**
	12.0	**10.2**	**1.3**	**0.5**

Notes to the financial statements
continued

20. Financial Instruments (continued)

2009	Total £m	2009/10 £m	2008/09 £m	Prior years £m
		Ageing by academic year		
Rental debtors				
Commercial tenants (past due and impaired)	7.7	5.2	0.8	1.7
Individual tenants (past due and impaired)	6.3	3.1	2.1	1.1
Provisions carried	(3.5)	(0.9)	(1.4)	(1.2)
Past due but not impaired	10.5	7.4	1.5	1.6
Manufacturing debtors (not past due or impaired)	8.2	8.2	–	–
	18.7	15.6	1.5	1.6

The Group holds £8.1 million (2009: £8.6 million) in tenant deposits as collateral on the above rental debtors. This has been taken into account, together with historical collection patterns, in establishing the level of provisions carried.

Movements in provisions carried maybe explained as follows:

	2010 £m	2009 £m
At start of year	**3.5**	1.7
Impairment charged to income statement in year	**2.8**	2.1
Debt write off	**–**	(0.3)
At end of year	**6.3**	3.5

Effective interest rates

Interest rate swaps with fair value liabilities of £37.3 million (2009: £29.4 million) and remaining lives of 1 to 12 years have been accounted for in creditors and debtors.

The Group's overall average cost of debt as at 31 December 2010 is 6.9% (2009: 5.45%). The average cost of the Group's investment debt (excluding the additional £39.6 million of swaps referred to above) at 31 December 2010 is 6.1% (2009: 5.7%).

Fair value of financial assets and liabilities

The Group has the following financial liabilities carried at fair value:

		Group		Company	
	IFRS 7 level	**2010 £m**	2009 £m	**2010 £m**	2009 £m
Interest rate swaps – effective	**2**	**4.0**	3.5	**–**	–
Interest rate swaps – ineffective	**2**	**33.3**	25.9	**–**	–

The IFRS 7 level categorisation relates to the extent the fair value can be determined by reference to comparable market values. The classifications range from level 1 where instruments are quoted on an active market through to level 3 where the assumptions used to arrive at fair value do not have comparable market data. There have been no transfers between levels during the year.

The fair values of interest rate swaps and fixed rate loans (shown in the table below) have been calculated by a third party expert discounting estimated future cash flows on the basis of market expectations of future interest rates.

The fair value of the Group's financial assets and liabilities do not differ from their book values other than as shown below:

	2010 Book value £m	**2010 Fair value £m**	2009 Book value £m	2009 Fair value £m
Fixed rate loans	**(39.4)**	**(40.8)**	(39.9)	(41.4)

Capital management

The Group's financing strategy is based around its developer and co-investing manager business model, which allows capital from stabilised developments sold to UNITE UK Student Accommodation Fund to be recycled into new schemes. The Board has adopted this business model to achieve an appropriate balance between the capital deployed in mature, lower return investment and higher yielding development opportunities.

The Board regularly reviews the capital available to the business with a view to ensuring that the Group has an appropriate capital base to maintain investor, creditor and market confidence and sustain the future development of the business.

The Board has processes in place to ensure capital is only committed to new schemes, for site purchase or build, when there is sufficient capital available. These processes also ensure that capital is allocated to the opportunities offering the greatest return.

20. Financial Instruments (continued)

The Group regards its available capital as the amount of its adjusted net assets, as this excludes deferred tax and the fair value of financial instruments, which will not be crystallised in the normal course of trade and includes all property assets at market value. At 31 December 2010 capital on this basis amounted to £474.5 million (2009: £423.0 million). The Group seeks to manage its adjusted gearing, which is based on this capital base, in a range of 100% to 130%.

21. Operating leases

Leases as lessee

The future minimum lease rentals payable under non-cancellable operating leases are as follows:

	2010 £m	2009 £m
Less than one year	**14.2**	14.2
Between one and five years	**56.6**	54.9
More than five years	**211.5**	200.9
	282.3	270.0

Leases for commercial properties typically run for 5–15 years with market rent reviews every five years.

Leases of residential accommodation properties run for periods between 17 and 25 years are generally subject to annual RPI-based rent reviews. One property is subject to a fixed annual rent increase of 2%.

Leases as lessor

The Group leases out its investment property under operating leases. The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2010 £m	2009 £m
Less than one year	**41.1**	42.3
Between one and five years	**29.9**	21.2
More than five years	**29.2**	33.3
	100.2	96.8

22. Related parties

Group

The Group has had a number of transactions with its joint ventures, which are disclosed in notes 9 and 12.

Company

During the year, the Company entered into various free loans with its subsidiaries, the aggregate of which are disclosed in the cash flow statement. In addition, the following material transactions took place.

	2010 £m	2009 £m
Intercompany recharges for corporate costs		
UNITE Integrated Solutions plc	**2.3**	2.3

As a result of these intercompany transactions, the following amounts were due (to)/from the Company's subsidiaries at the year-end.

	2010 £m	2009 £m
UNITE Holdings plc	**77.7**	77.1
UNITE Finance Ltd	**33.4**	30.4
LDC (Holdings) plc	**207.2**	197.1
Amounts due from Group undertakings	**318.3**	304.6
Unilodge Holding Ltd	**(13.9)**	(13.9)
Unilodge Holdings (UK) Ltd	**(15.8)**	(15.8)
Amounts due to Group undertakings	**(29.7)**	(29.7)

The Company has had a number of transactions with its joint ventures, which are disclosed in note 9.

Transactions with key management personnel

Directors' remuneration is disclosed in note 4.

Five year record

	2010	2009	2008	2007	2006
Adjusted diluted net asset value per share (pence)* **	**295**	265	306	374	385
Net asset value per share on an IFRS basis (pence)*	**242**	229	252	337	358
Adjusted net assets (£m)	**475**	423	483	587	604
Net assets on an IFRS basis (£m)	**388**	366	320	450	481
Managed portfolio value (£m)	**2,334**	2,039	1,829	1,723	1,435
Gearing					
– adjusted (%)	**71**	92	131	106	78
– including share of co investment funds (%)	**115**	133	174	136	111
– basic (%)	**96**	115	180	121	85
Rental income					
– from wholly owned assets (£m)	**64**	58	58	63	92
– including share of co investment funds (%)	**89**	82	78	82	98
– from managed portfolio	**189**	164	144	126	108
Net portfolio contribution (£m)	**4**	1	(5)	(2)	2
Adjusted profit/(loss) before tax (£m)	**2**	(29)	(45)	(63)	(9)
Profit/(loss) before tax (£m)	**20**	(35)	(116)	(37)	71
Earnings per share					
– adjusted (pence)*	**2**	(21)	(36)	(50)	(12)
– basic (pence)*	**12**	(26)	(92)	(30)	58

*net asset values and earning per share for 2008 and prior years have been restated in accordance with the retrospective adjustment requirements of IAS 33 Earnings per Share with regard to the firm placing, placing and open offer in October 2009.

**2006 has been restated to show the 46 pence per share impact of redeeming the UNITE Finance One bond.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of The UNITE Group plc (the "Company") will be held at The Core, 40 St Thomas Street, Bristol BS1 6JX at 9.30 a.m. on 19 May 2011 for the purpose of considering and, if thought fit, passing the following resolutions which, in the case of resolutions numbered 1 to 13 (inclusive), shall be proposed as ordinary resolutions and, in the case of resolutions numbered 14 and 15, shall be proposed as special resolutions.

Ordinary business

1. To receive the audited annual accounts of the Company for the year ended 31 December 2010, together with the Directors' report and Auditor's report on those accounts and that section of the Remuneration report subject to audit.
2. To approve the Directors' remuneration report for the year ended 31 December 2010.
3. To appoint Sir Tim Wilson as a Director of the Company.
4. To re-appoint Mr P M White as a Director of the Company.
5. To re-appoint Mr M C Allan as a Director of the Company.
6. To re-appoint Mr J J Lister as a Director of the Company.
7. To re-appoint Mr J M Tonkiss as a Director of the Company.
8. To re-appoint Mr N P Hall as a Director of the Company.
9. To re-appoint Mr S R H Beevor as a Director of the Company.
10. To re-appoint Mr R S Walker as a Director of the Company.
11. To re-appoint KPMG Audit Plc as auditors to hold office until the conclusion of the next general meeting of the Company at which accounts are laid.
12. To authorise the Directors to determine the remuneration of the auditors.

Special business

13. THAT, in substitution for any equivalent authorities and powers granted to the Directors prior to the passing of this Resolution, the Directors be and are generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 (the "Act"):

    (a) to exercise all powers of the Company to allot shares in the Company, and grant rights to subscribe for or to convert any security into shares of the Company, up to an aggregate nominal amount of £13,355,955 (such amount to be reduced by the nominal amount of any allotments or grants made under paragraph (b) below in excess of £13,355,955); and further

    (b) to allot equity securities (as defined by Section 560(1) of the Act) up to an aggregate nominal amount of £26,711,910 (such amount to be reduced by the nominal amount of any allotments or grants made under paragraph (a) above) in connection with an offer by way of rights issue:

    a in favour of holders of ordinary shares in the capital of the Company, where the equity securities respectively attributable to the interests of such holders are proportionate (as nearly as practicable), to the respective number of ordinary shares in the capital of the Company held by them; and

    b to holders of any other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

    but subject to such exclusions or other arrangements as the Directors consider expedient in relation to treasury shares, fractional entitlements, legal or practical problems under the laws in any territory or the requirements of any relevant regulatory body or stock exchange or any other matter whatsoever,

    provided that this authority shall expire (unless renewed, varied or revoked by the Company in general meeting), on the date falling 15 months from the passing of this resolution or, if earlier, at the conclusion of the next annual general meeting of the Company to be held following the passing of this Resolution, save that the Company may, before such expiry, make an offer or enter into an agreement which would or might require shares in the Company to be allotted or rights to subscribe for or convert securities into shares be granted after such expiry and the Directors may allot shares or grant rights to subscribe for or convert securities into shares in pursuance of such offer or agreement as if this authority had not expired.

14. THAT, in accordance with Section 570(1) of the Act, the Directors be and are empowered to allot equity securities (within the meaning of Section 560(1) of the Act) pursuant to the general authority conferred on them by Resolution 13 above as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited:

    (a) to the allotment of equity securities in connection with an offer or issue to or in favour of ordinary shareholders on the register on a date fixed by the Directors where the equity securities respectively attributable to the interests of all those shareholders are proportionate (as nearly as practicable) to the respective numbers of ordinary shares held by them on that date, but the Directors may make such exclusions or other arrangements as they consider expedient in relation to fractional entitlements, legal or practical problems under the laws in any territory or the requirements of any relevant regulatory body or stock exchange; and

    (b) to the allotment (other than under (a) above) of equity securities having a nominal value not exceeding in aggregate £2,003,393

    and this authority shall expire on the date falling 15 months from the passing of this resolution, or, if earlier, at the conclusion of the next annual general meeting of the Company to be held following the passing of this resolution, save that the Company may, before this authority expires, make an offer or agreement which would or might require equity securities to be allotted after it expires and the Directors may allot equity securities in pursuance of such offer or agreement as if this authority had not expired and provided further that this authority shall supersede and revoke all previous authorities under Section 570(1) of the Act.

15. That a general meeting other than an annual general meeting may be called on not less than 14 clear days' notice.

By order of the Board

A D Reid
Secretary
Dated 2 March 2011
Registered office:
The Core
40 St Thomas Street
Bristol
BS1 6JX

Notice of Annual General Meeting
continued

Notes

1. A member of the Company who wishes to attend the meeting in person should arrive at the offices of the Company, The Core, 40 St Thomas Street, Bristol BS1 6JX in good time before the meeting, which will commence at 9.30 a.m. In order to gain admittance to the meeting, members may be required to produce their attendance card, which is attached to the form of proxy enclosed with this document, or otherwise prove their identity.
2. A member of the Company who is unable or does not wish to attend the meeting is entitled to appoint a proxy to exercise all or any of his/her rights to attend and to speak and vote on his/her behalf at the meeting. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares (so a member must have more than one share to be able to appoint more than one proxy). A proxy need not be a member of the Company but must attend the meeting to represent his/her appointing member. Appointing a proxy will not prevent a member from attending in person and voting at the meeting. A proxy must vote in accordance with any instructions given by the member by whom the proxy is appointed. A form of proxy which may be used to make such appointment and give proxy instructions accompanies this notice. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. To be valid, any form of proxy, and the original or duly certified copy of the power of attorney or other authority (if any) under which it is signed or authenticated, must be received by hand or by post at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY, no later than 9.30 a.m. on 17 May 2011.
4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
5. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be a valid, be transmitted so as to be received by the Company's agent (CREST ID 3RA50) by the latest time for receipt of proxy appointments specified in note 3 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
6. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
7. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended).
8. If you would like to submit your proxy vote via the internet, you can do so by accessing our registrar's website (www.eproxyappointment.com). You will require the control number, your unique PIN (which will expire at the end of the voting period) and your Shareholder Reference Number ("SRN"), printed on the proxy card, in order to log in and submit your proxy vote electronically. You can access this site from any internet enabled PC.
9. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
10. If you submit more than one valid proxy appointment in respect of the same shares, the appointment received last before the latest time for the receipt of proxies will take precedence.
11. Any person to whom this notice is sent who is a person nominated under section 146 of the Act to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
12. The statement of the rights of shareholders in relation to the appointment of proxies above does not apply to Nominated Persons. These rights can only be exercised by shareholders of the Company.
13. Pursuant to Part 13 of the Companies Act 2006 and Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), the Company specifies that only those shareholders registered in the register of members of the Company at 5.00 p.m. two days before the meeting shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Any changes to the register of members after such time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

14. As at 2 March 2011 the Company's issued share capital consists of 160,271,460 ordinary shares carrying one vote each. Therefore the total voting rights in the Company as at 2 March 2011 are 160,271,460.

15. You may not use any electronic address provided either in this notice of meeting or any related documents (including the proxy form) to communicate with the Company for any purposes other than those expressly stated.

16. Members attending the meeting have the right to ask and, subject to the provisions of the Act, the Company must cause to be answered, any questions relating to the business being dealt with at the meeting.

17. The following information is available at www.unite-group.co.uk (1) the matters set out in this notice of Annual General Meeting; (2) the total numbers of shares in the Company in respect of which members are entitled to exercise voting rights at the meeting; (3) the totals of the voting rights that members are entitled to exercise at the meeting; and (4) members' statements, members' resolutions and members' matters of business received by the Company after the date on which notice of the meeting was given.

18. It is possible that, pursuant to requests made by members of the Company under Section 527 of the Act, the Company may be required to publish on a website a statement setting out any matter relating to: (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (b) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Act. The Company may not require the members requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under Section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required under Section 527 of the Act to publish on a website.

19. In accordance with Section 338 of the Act, a member or members of the Company may (provided that the criteria set out in Section 338(3) of the Act are met) require the Company to give to members notice of a resolution which may properly be moved and is intended to be moved at the meeting, provided that: (a) the resolution must not be, if passed, ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise); and (b) the resolution must not be defamatory of any person, frivolous or vexatious. Such a request may be in hard copy form or in electronic form, must be authenticated by the person or persons making it, must identify the resolution of which notice is to be given and must be received by the Company not later than six weeks before the meeting, or, if later, the time at which notice is given of the meeting. (In the foregoing sentence, the terms "hard copy form", "electronic form" and "authenticated" bear their respective meanings set out in the Act in relation to a communication, or a document or information sent or supplied, to a company.)

20. In accordance with Section 338A of the Act, a member or members of the Company may (provided that the criteria set out in Section 338A(3) of the Act are met) require the Company to include in the business to be dealt with at the meeting a matter (other than a proposed resolution) which may properly be included in the business of the meeting, provided that the matter is not defamatory of any person, frivolous or vexatious. A request may be in hard copy form or electronic form, must identify the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person or persons making it and must be received by the Company not later than six weeks before the meeting, or, if later, the time at which notice is given of the AGM. (In the foregoing sentence, the terms "hard copy form", "electronic form" and "authenticated" bear the respective meanings set out in the Act in relation to a communication, or a document or information sent or supplied, to a company.)

21. A member that is a company or other organisation not having a physical presence cannot attend in person but can appoint someone to represent it. This can be done in one of two ways: either by the appointment of a proxy (as described in the notes above) or of a corporate representative. Members considering the appointment of a corporate representative should check their own legal position, the Company's Articles of Association and the relevant provisions of the Act.

22. The following documents are available for inspection at the registered office of the Company during the usual business hours on any weekday (Saturday, Sunday or public holidays excluded) from the date of this notice until the conclusion of the Annual General Meeting and will also be available for inspection at the place of the meeting from 9.15 a.m. on the day of the meeting until its conclusion:

    (a) copies of the Executive Directors' service contracts with the Company and any of its subsidiary undertakings; and

    (b) and letters of appointment of the Non-Executive Directors.

Glossary

Adjusted, fully diluted net asset value per share (Adjusted NAV)
The basic NAV per share figure is recalculated to take account of dilutive outstanding share options and adjusted to:

- exclude the impact of deferred tax;
- exclude the mark to market of interest rate swaps;
- include the valuation gain not recognised on properties held at cost.

Adjusted net debt
The Group's debt, net of cash and unamortised debt raising costs, excluding the mark to market of interest rates swaps.

Adjusted net debt to property assets
The adjusted net debt as a percentage of the value of the properties.

Adjusted gearing
Adjusted net debt as a percentage of adjusted net assets.

Net operating income (NOI)
The rental income from completed properties less those operating costs directly related to the property, hence excluding central overhead.

Net portfolio contribution (NPC)
This is an important indicator of operational performance as it measures the income from the completed properties, net of their financing costs and the Group's total non-development related overheads.

Adjusted profit
Adjusted profit is prepared on the basis recommended for real estate companies by EPRA, the European Public Real Estate Association, except for profits and losses on trading properties (see note 2(a) for details). This excludes movements relating to changes in values of investment properties and interest rate swaps, profits on disposal of investment properties (but not trading properties) and the related tax effects.

Adjusted earnings per share
The diluted earnings per share based on adjusted profit.

Total income from managed portfolio
This measure indicates the overall scale of the property portfolio that the Group manages, it comprises rental and related income, totalling £188.9 million from properties owned by:

	£m
The Group	46.3
Third parties and leased by the Group	18.6
USAF	91.7
UCC	23.6
USV	5.4
OCB	3.3

The Group's share of this gross income is shown in note 2(c).

Gross financing costs
This includes all interest paid by the Group, including those capitalised into developments and operating lease rentals. It includes all receipts and payments under interest rate swaps whether they are effective or ineffective under IFRS as economically they all hedge interest rate exposures.

Financing costs
Gross financing costs net of interest capitalised into developments and interest received on deposits.

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.

Net Initial Yield (NIY or Yield)
The net operating income generated by a property expressed as a percentage of its value.

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

Net rental growth
The annual growth in net operating income less costs from a property (measured on a like-for-like basis i.e. excluding impact of completion and disposals).

Minimum net worth
Minimum net worth covenant measures the value of the Company against an absolute target.

OCB
UNITE successfully established a joint venture with Oasis Capital Bank (OCB) in August 2009. The joint venture consists of three assets located in London, all of which were completed in 2010.

UCC
UNITE Capital Cities was established in 2005 as a joint venture between UNITE and GIC Real Estate. It is a closed-ended vehicle due to mature in 2013 and was established by UNITE to develop and operate student accommodation in London and Edinburgh. UCC equity is now fully invested and all development projects have been completed.

USAF/the Fund
The UNITE UK Student Accommodation Fund (USAF) is Europe's largest fund that purely focuses on direct let student accommodation investment assets. The Fund is an open ended infinite life vehicle which has unique buying access to UNITE's portfolio. UNITE act as Fund Manager of the Fund, as well as owning a significant minority stake.

USV
UNITE Student Village was established in 2004 as a joint venture between UNITE and Lehman Brothers to develop large student village schemes of c. 1,000 bed spaces. It is a closed-ended fund with one remaining operational asset located in Sheffield.

Stabilising assets
Properties that have recently been developed and are not yet generating their optimal net operating income.

Non-core assets
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.

UNITE letting arrangements

Direct Let
Properties where short-hold tenancy agreements are made directly between the commercial operator and the student.

Lease
Properties which are leased to universities for a number of years and have no UNITE management presence.

Nominations
Properties where short-hold tenancy agreements are made with students, with the university providing a longer term occupancy guarantee in respect of a significant proportion of rooms.

Sale and lease back
Properties which have been sold to a third party investor then leased back to the Company. UNITE are responsible for the management of these assets on behalf of the owner.

Company Information

UNITE management

Mark Allan
Chief Executive

Joe Lister
Chief Financial Officer

John Tonkiss
Chief Operating Officer

James Granger
Corporate Development Director

Mark Creedy
Managing Director, Fund Management

Nathan Goddard
Business Development Director

Nicola Yates
Group HR Director

Paul Harris
Group Communications Director

Richard Simpson
Managing Director, Development

Richard Smith
Deputy Chief Financial Officer

Shane Spiers
Managing Director, Property Management

Will Garrard
Managing Director, UNITE Modular Systems

Registered Office

The Core,
40 St Thomas Street,
Bristol BS1 6JX

Registered Number in England

3199160

Company Secretary

Andrew Reid

Auditors

KPMG Audit Plc
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Financial Advisers

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Numis Securities
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The UNITE Group plc Annual Report & Accounts 2010