

2015

Empiric Student Property plc
Annual Report and Accounts
For the period ended 30 June 2015

ESP | Empiric
Student
Property

Premium student living: prime locations



Empiric is an internally managed REIT, investing in high-end purpose-built student accommodation in central locations in top university cities and towns in the UK.

We aim to provide our shareholders with regular, sustainable and growing dividends together with capital appreciation over the medium to long-term.

Contents

- 01 At a glance
- 02 Chairman's Statement
- 04 Our Business Model
- 06 Key Differentiators
- 08 Chief Executive's Q&A
- 12 Chief Investment Officer's Market Update
- 14 Investment Policy
- 16 Chief Financial Officer's Review
- 24 Key Performance Indicators
- 26 Principal Risks and Uncertainties

- 32 Board of Directors
- 34 Corporate Governance Statement
- 44 Directors' Remuneration Report
- 58 Directors' Report
- 61 Directors' Responsibility Statement
- 63 Independent Auditor's Report
- 66 Consolidated Statement of Comprehensive Income
- 67 Consolidated Statement of Financial Position
- 68 Company Statement of Financial Position
- 69 Consolidated Statement of Changes in Equity
- 70 Company Statement of Changes in Equity
- 71 Consolidated Statement of Cash Flows
- 72 Company Statement of Cash Flows
- 73 Notes to the Financial Statements
- 94 Company Information and Corporate Advisers

www.empiric.co.uk

“

As paying customers, university students today expect high quality facilities, including their accommodation. This is what Empiric provides.

”

Brenda Dean
Chairman






























Brunswick House,
Southampton
(interior)

Front cover:
Algermon Firth,
Leeds (exterior)

At a glance

Locations – Centrally situated assets in prime university cities and towns in the UK, clustered in close proximity facilitating joint management

Buildings – Unique buildings with 50-200 beds, purpose built or purpose renovated, with high quality layout and communal facilities

<div>01. Centro Court Aberdeen No of beds: 56 Price £6.5m</div> <div></div>	<div>02. Spital Court Studios (FF) Aberdeen No of beds: 123 Price £13.7m</div> <div></div>	<div>03. James House (FC) Bath No of beds: 169 Price £25.0m</div> <div></div>	<div>04. 1-3 James St West (FC) Bath No of beds: 78 Price £7.7m</div> <div></div>	<div>05. Brook Apartments Birmingham No of beds: 106 Price £12.0m</div> <div></div>
<div>06. Edge Apartments Birmingham No of beds: 77 Price £8.9m</div> <div></div>	<div>07. College Green Bristol No of beds: 84 Price £10.0m</div> <div></div>	<div>08. William & Matthew' House (FF) Bristol No of beds: 80 Price £0.2m</div> <div></div>	<div>09. Alwyn Court Cardiff No of beds: 51 Price £3.5m</div> <div></div>	<div>10. Northgate House Cardiff No of beds: 67 Price £5.2m</div> <div></div>
<div>11. Summit House Cardiff No of beds: 87 Price £9.6m</div> <div></div>	<div>12. Framwellgate (Dev)² Durham No of beds: 110 Price £1.3m</div> <div></div>	<div>13. St Margaret's Flats Durham No of beds: 109 Price £5.1m</div> <div></div>	<div>14. Buccleuch (FF) Edinburgh No of beds: 86 Price £8.5m</div> <div></div>	<div>15. Bonhay Road (FF) Exeter No of beds: 139 Price £2.5m</div> <div></div>
<div>16. Dean Clark Lofts Exeter No of beds: 30 Price £4.5m</div> <div></div>	<div>17. Library Lofts (FC)¹ Exeter No of beds: 61 Price £6.8m</div> <div></div>	<div>18. Picturehouse Apartments Exeter No of beds: 102 Price £11.4m</div> <div></div>	<div>19. Maritime House Falmouth No of beds: 132 Price £8.1m</div> <div></div>	<div>20. Ballet School Glasgow No of beds: 103 Price £11.9m</div> <div></div>
<div>21. 333 Bath Street Glasgow No of beds: 70 Price £7.2m</div> <div></div>	<div>22. Willowbank (Dev) Glasgow No of beds: 178 Price £7.1m</div> <div></div>	<div>23. Curzon Point Hatfield No of beds: 116 Price £9.2m</div> <div></div>	<div>24. Kingsmill Studios (FF) Huddersfield No of beds: 98 Price £7.2m</div> <div></div>	<div>25. Oldgate House (FF) Huddersfield No of beds: 179 Price £11.0m</div> <div></div>
<div>26. CityBlock 1 Lancaster No of beds: 30 Price £2.1m</div> <div></div>	<div>27. CityBlock 2 Lancaster No of beds: 77 Price £5.6m</div> <div></div>	<div>28. CityBlock 3 Lancaster No of beds: 100 Price £7.9m</div> <div></div>	<div>29. Algernon Firth Leeds No of beds: 111 Price £7.2m</div> <div></div>	<div>30. St Mark's Court Leeds No of beds: 85 Price £7.1m</div> <div></div>

Customers – Direct let to students, both international and those beyond their first year, who pay upper quartile rents

Management – Experienced internal management team with strong track record in the student property sector

31. CityBlock 1

Leicester

No of beds: 98 Price £6.2m



32. CityBlock 2

Leicester

No of beds: 76 Price £4.8m



33. Art School Lofts

Liverpool

No of beds: 64 Price £8.4m



34. Chatham Lodge

Liverpool

No of beds: 50 Price £3.9m



35. Grove Street Studios

Liverpool

No of beds: 28 Price £2.7m



36. Hayward House

Liverpool

No of beds: 74 Price £5.4m



37. Maple House

Liverpool

No of beds: 147 Price £12.9m



38. The Octagon

Liverpool

No of beds: 19 Price £2.0m



39. Halsmere Studios

London

No of beds: 79 Price £13.3m



40. Baptist Chapel (FF)

Manchester

No of beds: 83 Price £7.9m



41. Claremont Place (FC)¹

Newcastle

No of beds: 88 Price £11.0m



42. Metrovick House (FF)

Newcastle

No of beds: 63 Price £7.4m



43. Talbot Street Site (FF)

Nottingham

No of beds: 77 Price £0.9m
(No development agreement yet)



44. Talbot Studios

Nottingham

No of beds: 98 Price £8.2m



45. The Frontage (FF)

Nottingham

No of beds: 162 Price £18.5m



46. The Registry

Portsmouth

No of beds: 41 Price £4.5m



47. Portobello Road (FF)

Sheffield

No of beds: 134 Price £10.7m



48. Brunswick House (Dev)

Southampton

No of beds: 173 Price £7.5m



49. London Road Studios

Southampton

No of beds: 46 Price £3.6m



50. Forthside (Dev)

Stirling

No of beds: 207 Price £0.7m



51. Caledonia Mill

Stoke-on-Trent

No of beds: 120 Price £6.3m



(FF) Forward funded
(FC) Forward commitment sites
(Dev) Development

Price = Price paid on acquisition for standing or forward commitment assets or total investment to completion for forward funded or development assets.

- 1 The Group exchanged contracts on these properties during the period ended 30 June 2015 though certain conditions had not been satisfied at the period end.
- 2 The Group had only exchanged conditional contracts on this property as at 30 June 2015.

As at 30 June 2015:

3,503	Total beds owned or under development ¹
20	Number of cities and towns served by Empiric assets
£251.3m	Portfolio valuation ²
£18.4m	Gross annualised rent on standing assets (fully let)

As at 14 September 2015:

4,820	Total beds owned or under development
25	Number of cities and towns served by Empiric assets
£365.4m	Portfolio valuation ³
£23.3m	Gross annualised rent on standing assets

Asset overview

As at 30 June 2015

40 assets

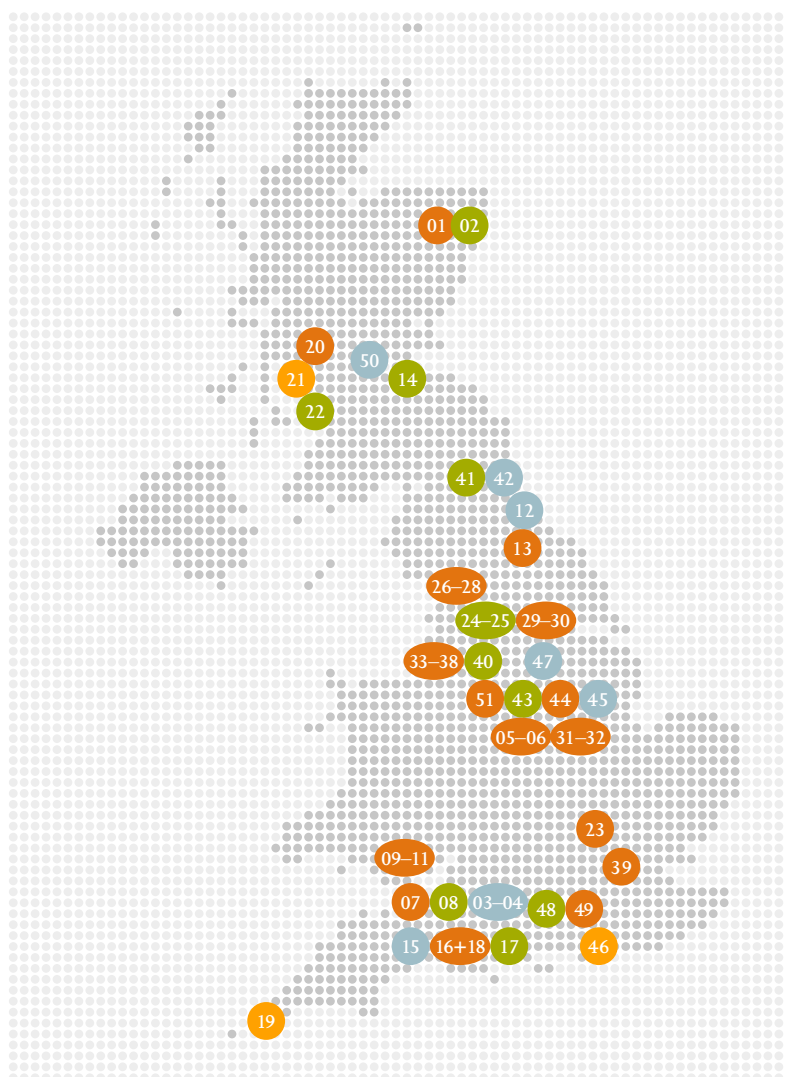
- 29 standing assets⁴
- 11 sites under development

As at 14 September 2015

51 assets

- 36 standing assets⁵
- 15 sites under development⁶

- 1 Excludes an additional 12 beds for which the Group received planning permission for Talbot Street after 30 June 2015.
- 2 Asset valuations from CBRE as at 30 June 2015 (including share of joint venture properties).
- 3 Asset valuations from CBRE as at 30 June 2015 (including share of joint venture properties) plus the acquisition price or valuation for those assets where the Group had exchanged contracts or which have progressed (see Note 5 below) up until 14 September 2015.
- 4 Portfolio of standing assets which was fully let for the period ended 30 June 2015.
- 5 Includes five assets under development at the period end which will have become operational by the end of September 2015.
- 6 Includes three properties that have conditionally exchanged.



Chairman's Statement

We have had a successful first year and I am extremely encouraged about the continuous development of Empiric. There are undoubtedly enormous opportunities in the student accommodation sector and there is huge potential for Empiric within its target market.

Brenda Dean
Chairman



Overview

On 30 June 2015, Empiric Student Property plc ("Empiric" or the "Company" or, together with its subsidiaries, the "Group") celebrated its first anniversary as a listed company on the Main Market of the London Stock Exchange. Empiric has made significant progress since the initial public offering ("IPO") in June 2014, when it raised £85 million. Over the period, Empiric established a skilled executive and non-executive team with a wide sector experience, networks and knowledge; achieved Real Estate Investment Trust ("REIT") status in July 2014; and acquired or exchanged on 40 properties, resulting in a total net shareholder return (on the 100 pence IPO issue price) of 11.5% as at 30 June 2015. In addition, the Company's shares were included in the FTSE All Share Index from June 2015.

I am proud of Empiric's first set of results, which are the product of the executive team's hard work and specialist sector focus. Empiric offers both institutional and private investors the ability to capitalise on a growing UK university student population facing significant accommodation undersupply, in a target market where this is even more pronounced yet still with limited competition, with few listed competitors offering investors an opportunity to participate in this market. Our REIT status delivers added value to our shareholders who can benefit from the tax efficient structure.

Performance Highlights

Empiric continues to make excellent progress towards its operational and financial targets set at IPO, a clear indication that we have the right focus and that the Board is investing its shareholders' funds wisely.

During the period, Empiric carried out two further equity fundraisings both priced above NAV, resulting in gross equity proceeds (including the IPO) of over £235 million, and agreed approximately £115.3 million of debt financing (including the Group's share of the debt relating to joint venture developments). The Group succeeded in committing these funds into building a diversified portfolio of 40 student

accommodation investments, comprising a mix of operating properties and assets under development.

Notwithstanding Empiric's intense period of growth, the Company has paid out quarterly dividends amounting to 4.0 pence per share for the period ended 30 June 2015, of which 2.32 pence per share was paid as a property income distribution ("PID") under the REIT rules.

Consistent with its investment policy, the Company has used leverage on a conservative basis to help drive investment returns, and has also diversified its lending relationships. The LTV ratio as at 30 June 2015 was 26.3% compared to a target of 35% and a maximum limit of 40%.

The Board and Management

As an internally-managed REIT, one of Empiric's key attractions is the strength of the management team. Paul Hadaway (Chief Executive Officer) and Tim Attlee (Chief Investment Officer) are property professionals with a recognised track record. They are focused on delivering value to investors through their knowledge of and contacts within this specialist sector.

Over the past year, the Board has worked closely to develop Empiric and has been responsible for implementing Empiric's investment objective and policies; guiding its strategic direction; monitoring the performance of the Group and its assets; and regularly reviewing university sector and property market dynamics to optimise the Company's strategic position.

During the period, we started to develop our internal operations capability initially with the appointment of an operations director (a non-Board role) who has since been building this function, key to which will be a new centralised platform for marketing and financial control accounting.

The Board is committed to maintaining an open channel of communication with all shareholders, responding to the needs of both institutions and individuals alike. The Executive Directors

Financial highlights as at 30 June 2015

4.0p

Dividend for
period ended
30 June 2015

£17.6m

Gross annualised
student rent

103.2p

NAV per share
(basic)

£0.8m

Gross annualised
commercial rent

11.5%

Total return per share
(basic)

6.6%

Average Net Initial Yield
of operating portfolio

are in regular dialogue with the investment community and I seek to ensure that shareholders have direct access to me at general meetings and through private meetings.

Key Drivers

The underlying fundamentals of Empiric's market in premium student accommodation are solid: increasing demand coupled with a supply shortage. In addition, since the introduction of university fees, students have come to expect better university services, higher-quality facilities and appropriate accommodation.

Notwithstanding the introduction of tuition fees, the number of students studying in the UK has continued on a growth trend. In particular, the number of international students is growing significantly. It is international students, together with students studying beyond their first year as undergraduates, which comprise our target market.

With the recent removal of the cap on UK/EU student admissions, universities need to expand to meet student growth and are struggling to cope with the consequent demand for accommodation, creating opportunities for the private sector. However, the construction of new beds has been matched by the increase in student numbers and, hence, the chronic undersupply remains unchanged.

Over the past year, competition has increased as more investors enter the student accommodation market. It is a sign of confidence in the improving economy and demonstrates a greater understanding of opportunities in the sector.

However, by focusing on mid-sized properties outside London, which are of less interest to many of our competitors, Empiric is able to secure high quality assets at better than average yields. We operate a robust investment process only acquiring assets matching Empiric's strict investment criteria with a focus on asset location and building type. The 6.5% uplift in the aggregate value of the operating portfolio compared to the aggregate purchase price, as well as high Net Initial Yields

(compared to our competitors), demonstrate that Empiric has bought wisely.

Our Staff

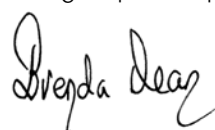
Our staff have all worked hard to get the Company where it is today. They are key to our Company's success. I would like to thank them all for their contribution to our success to date. There is a great team at Empiric and we will continue to provide a stimulating and challenging environment for all employees to enjoy and within which to develop.

Outlook

The Board is committed to delivering on the stated objectives of providing shareholders with regular, sustainable and growing long-term dividends, together with the potential for capital appreciation over the medium to long-term.

The market outlook is strong as the fundamental market dynamics for student accommodation remain unchanged. As Empiric's profile grows in the sector boosted by its listed status, it is being presented with a richer and broader pipeline of attractive investment opportunities.

The Group continues to grow the asset base to deliver good returns to shareholders and seeks further enhanced returns through development and financing activities as well as developing an in-house operational capability, offering operational benefits and potentially even stronger property returns. By doing this, I believe the Company will be serving its shareholders well, delivering excellent returns as we continue to grow, with a diversified portfolio and increased profitability through improved operational efficiencies.



The Rt Hon the Baroness Dean of Thornton-le-Fylde
Chairman
14 September 2015

Our Business Model

Our aim is to provide shareholders with regular, sustainable and growing long-term dividends, together with the potential for capital appreciation over the medium to long-term.

Our IPO target was:

10,000 beds within five years through

300–400 beds in 25–30 cities

Investment characteristics

Locations

- Prime university cities and towns
- Walking distance to university
- Close proximity to shops, entertainment and transport links

Buildings

- Medium-sized assets with 50–200 beds
- Purpose built or purpose renovated or converted
- High-end concept layout and communal facilities

Customers

- International students
- Beyond first year of study
- Upper quartile by rental spend

Our business model delivers value by building a portfolio of properties, through acquisition or development, to offer premium university student accommodation.

We optimise the value from our buildings through:

- direct let model;
- active operational management;
- employment of appropriate leverage;
- standardised design specifications that are high quality but robust; and
- creating clusters of assets in towns and cities to facilitate economies of scale and operational benefits while ensuring each building retains its individual character.

Our strategy is to focus on acquiring or developing, premium, direct-let student accommodation assets which are centrally located in prime university cities and towns in the UK and which meet the needs of both international students and a more mature customer base.

What were we doing in the period to 30 June 2015?

Locations

Prior to our IPO in June 2014, we mapped out 27 cities that were home to either Russell Group or other highly ranked universities as centres of interest. By June 2015, we had identified further locations of interest and had established a presence in 20 university cities and towns, including 14 from the original list. Within each city, our assets are centrally located, in close proximity to the local university (or other higher education institutions) and convenient for local amenities.

Future outlook

With 84% of the student population outside London, we will continue to focus our attention on the regional cities and towns which exhibit our preferred characteristics such as a highly ranked and growing university, a high proportion of international students and a substantial under-supply of purpose-built student accommodation. Prime locations within these centres will continue to be key as we face less competition and acquire at more attractive yields.

Buildings

As at 30 June 2015, we had acquired or committed to 40 property assets, of which 11 were in development either through forward funding third party developers or through our 50/50 joint venture arrangement with Revcap Advisors Limited. These properties include purpose-built assets but most are unique buildings with their own individual characteristics, which have been redeveloped as student accommodation to a high specification. They range in size from a 19 bed standing asset which forms part of a cluster of assets in Liverpool to a 179 bed forward funded development in Huddersfield.

Since the period end, we have acquired or committed to a further 11 assets, of which 8 are in development. As we progress towards our medium-term target, we have a strong pipeline of investment opportunities that meet our strict criteria and we will continue to add to this pipeline. While we will continue to assess individual assets or opportunities, where possible, we will seek to deploy capital more efficiently through the acquisition of small portfolios which comprise suitable properties.

Customers

Approximately 70% of the students residing in our properties are from outside the UK, with representation from 83 nationalities. Over 40% of the students are postgraduates, above the national average studying at that level. The age of our customers ranges from 18 to 49 years. Only 2% of our customers are under the age of 20, in their first year of study and from the UK, which is a significantly lower proportion to other providers in the market.

International students and those studying beyond first year as undergraduates, in particular postgraduates, will remain our primary focus.

Development of an Operational Structure to Optimise Value

In our first year, we have been focused on building our property portfolio. Towards the latter half of the financial year, we have developed our internal operational capability and this is set to continue with greater momentum over the coming year. Key to this will be a new centralised platform for our marketing and financial control functions, run nationally and connecting our entire portfolio of operating properties, in order to optimise cash management as well as present a consistent brand when marketing to our customers. We plan to develop our relationships with our local property managers through the appointment of a team of dedicated regional managers.

Key Differentiators

Our target market is what makes Empiric different: focused on students from outside the UK and/or beyond their first year of study, at key universities. We, therefore, invest in mid-sized buildings in city centre clusters.

435,000

international students in the UK in 2013/14

540,000

postgraduate students in the UK in 2013/14

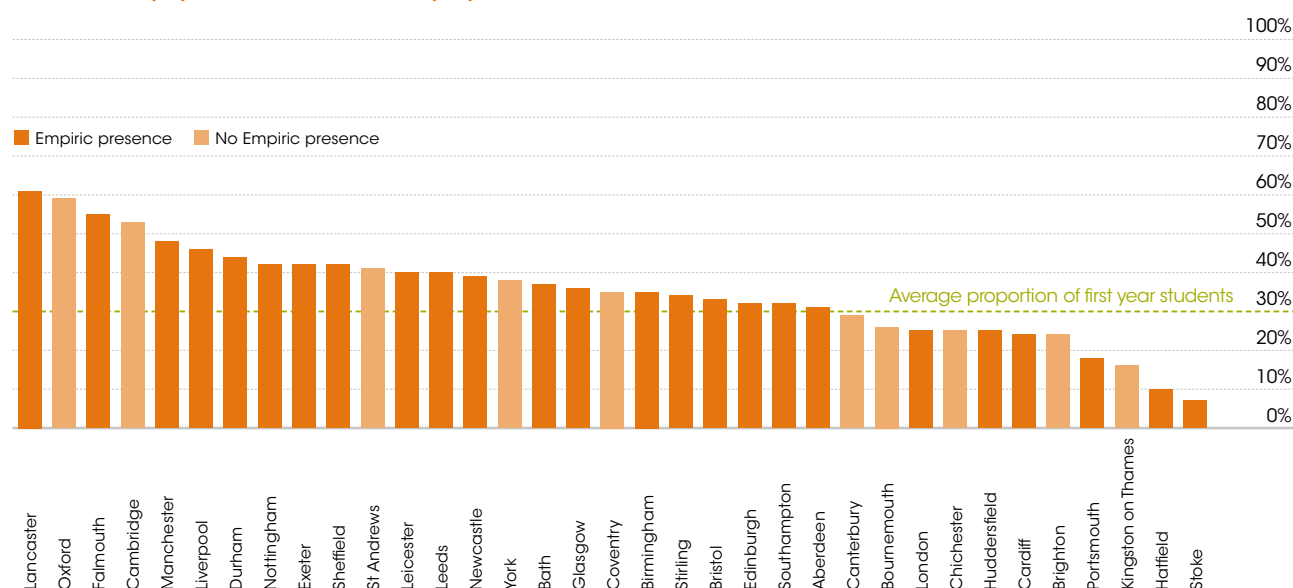
84%

of student population is outside London

91%

of students beyond first year undergraduate level have no access to purpose-built accommodation¹

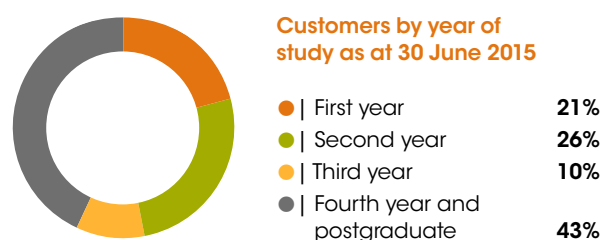
Total student population with access to purpose-built accommodation



Source: ESP, Savills, HESA for 2013/14 academic year. List of cities reflects focus of attention but does not preclude investments in other locations

¹ Reflects the 35 top tier university cities and towns targeted by the Company.

Our customers



Only 2% of our customers were UK resident first year students under 20 years old.²

² As at 30 June 2015.



Dean Clarke Lofts, Exeter.

CASE STUDY – PLATFORM DEVELOPMENT & CITY CLUSTER

Name of Asset:
Dean Clarke Lofts

Location:
Exeter

Overview

Acquired in December 2014 for £4.5 million, Dean Clarke Lofts is an award-winning conversion of a Grade II listed, Georgian hospital, comprising 30 beds arranged in large, loft-style studio apartments. While smaller than the Company's typical target bed size, this high quality asset was added to the operating platform of Picturehouse Apartments, one of the Company's seed assets in Exeter.

In May 2015, Empiric entered into an agreement to acquire on practical completion (a "forward commitment") Library Lofts, a 61 bed student accommodation scheme being developed to a similarly high specification by the developer of Dean Clarke Lofts – a local relationship that the Company is keen to continue.

As at 30 June 2015, Empiric's portfolio in Exeter, a top Russell Group university city, comprised 193 beds across three buildings, increasing to 332 beds across four properties with the acquisition of a site for development on Bonhay Road in September 2015. All the properties are in prime locations and within close proximity to each other.

Our Target

300-400 beds
in **25-30** cities

Chief Executive's Q&A

Paul Hadaway
Chief Executive Officer



There are seven times as many students studying in the UK as there were a generation ago.

Q: How have you performed against targets set at IPO in June 2014?

A: We have focused on setting out clear targets and delivering on them throughout the year. I am pleased to report that in Empiric's first year of operations, we have met or exceeded our operational targets, expanding faster than expected. I am pleased with our financial performance given that we have held our assets, on average, only 146 days. Gross annualised rent for the portfolio of properties acquired (or conditionally exchanged) by the end of 2014 was £8.4 million and by June 2015 this had increased to £18.4 million. We have paid dividends of, in aggregate, 4 pence per share for the year from IPO to 30 June 2015 and we are targeting an aggregate dividend payment of 6 pence per share for the financial year commencing 1 July 2015.

At IPO, we set a target of 10,000 beds in five years. This target was based on initial research into the student accommodation sector, showing approximately 2.4 million university students in the UK (2012). We focused on 25–30 university cities and towns selected by number of applicants per place, with over 1.1 million students who needed accommodation and aimed for less than 1% of this student market, equating to 10,000 beds. At the end of our first year of operations, we had committed to over 3,500 beds in 40 buildings across 20 cities and towns, which puts us well on track to achieving that target, demonstrating our ability to source and acquire high quality assets at attractive prices.

Q: Which students do you target and what is the true size of your market?

A: In May 2015, we commissioned a research report, which has shown that, in the 2013/14 academic year, there were 2.3 million students enrolled in UK Higher Education Institutions, of which almost three quarters (1.7 million) studied full-time and just under a quarter (540,000) were postgraduates. International students, from both inside and outside the EU accounted for 19% of the UK student population, some 435,000 students. Long-term growth in

student numbers has been partially driven by students coming from outside the UK, a greater proportion of whom are studying at a postgraduate level.

Our customer make-up is mainly international, postgraduate and mature. This is a far cry from the 18-year-old who has just left school. International students, without a UK guarantor, pay 100% of their rent up front meaning that a large proportion of our annual income is collected in advance.

As the Empiric property portfolio has grown, the breakdown is over 40% postgraduates, almost 70% international, representing 83 nationalities and an age range of 18–49. Only 2% are from the UK, in their first year and under the age of 20.

We are often referred to as operating in a "niche" market of second and third year undergraduate and postgraduate students, but, with the "main-stream" first year undergraduate market representing less than a third of the student population, it is a "niche" we are very happy to be in.

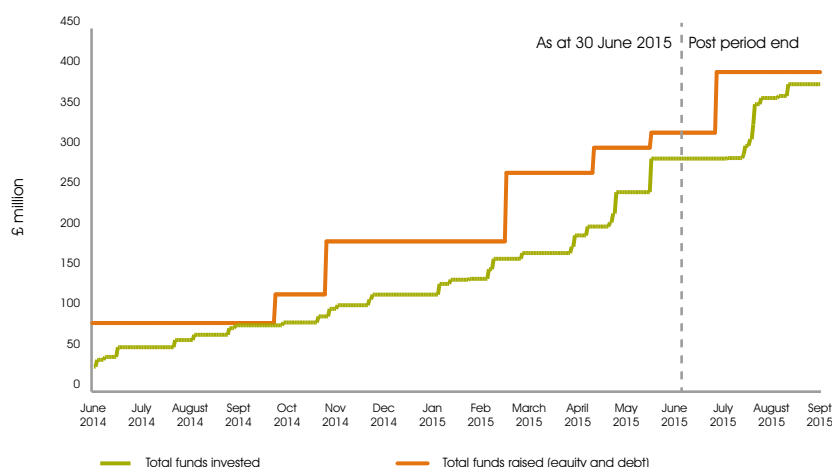
Q: What is your acquisition strategy?

A: Our business is to build a portfolio of properties from which we can generate an attractive return, and not to trade our assets. At the same time, we look to maximise shareholder returns through actively managing the properties: minimising vacancies by offering a superior space to our competitors, and refurbishing and extending where possible, to enhance the offering. We are principally a property company – we acquire or develop prime properties to create portfolios in city and town centres. Empiric will continue to develop a strong pipeline of acquisitions – raising funds and deploying them sensibly, but ensuring that we have sufficient funds allocated to complete what we start at any given point.

£17.6m

Gross annualised student rent from operating portfolio as at 30 June 2015

Funds invested



Empiric's growth has been fuelled by successfully deploying funds raised.

Student property has emerged as an investment grade asset class. There is a ready supply of suitable properties and potential development partners around the country, but with relatively limited end buyers and long-term investors to complement short-term developers. We operate in a fairly liquid market, due to the £5 million–£15 million lot size we target, well below the level favoured by institutions making direct investments, which presents a real opportunity.

We are currently focusing on 35 prime university cities and towns in the Russell Group and top regional universities, such as Hertfordshire, Huddersfield and Falmouth, which have recognised expertise in a variety of subjects.

The strength of the UK universities is key to the success of our business. The Times Higher Education university financial health check 2015 found that:

- Total UK universities income for 2013/14 was £30.7 billion, up 5.7% year-on-year
- Total UK universities surplus for 2013/14 was £1.2 billion, up 12.6% year-on-year, demonstrating the financial robustness of the sector.

When we identify a potential acquisition, we operate a strict investment process to ensure that it is the right investment opportunity. Every potential acquisition goes to the Board for approval and is subjected to a thorough review before any investment decision is taken. The majority of properties we review are rejected. It is imperative we act responsibly for our shareholders – we have to be able to say with confidence that we have invested well, so that each asset delivers its expected return and progresses in terms of value.

6.6%

Average Net Initial Yield of operating portfolio as at 30 June 2015

£251.3m

Portfolio valuation as at 30 June 2015 (including share of joint venture properties)

Q: How do you structure internal operations and ensure you integrate your acquisitions?

A: Our principal focus is the acquisition of property assets to build our portfolio. However as the business grows, and the investment portfolio with it, the operations division will grow too. To date we have outsourced operations, including the marketing, management and maintenance of Empiric's properties to specialist service providers. As Empiric's portfolio has grown, we have developed relationships with leading national specialist service providers and also several less well-known, but equally professional, local operators.

Operations is becoming a significant part of our business and we are preparing for this. In February 2015, we appointed an operations director, Clint Bartman, who has been working on developing consistent internal operation processes, including benchmarking costs, management profitability, standardising contractual arrangements and reporting.

We are also streamlining our structure and approach to working with a range of incumbent building management service providers operating in silos according to different standards. Many are successful building managers with a strong local community knowledge. We do not need nor want to replace them, so from September 2016 they will start to report to a new regional management team. We are also creating a new centralised marketing and financial control platform, run nationally to represent our entire portfolio. This will streamline billing and cash collection, and allow us to present a consistent brand when marketing, nurturing ongoing business and ultimately creating a bigger footprint in the national student accommodation market.

Chief Executive's Q&A continued

69%

International students in our operating portfolio as at 30 June 2015

Q: What makes your property assets so special?

A: Our student customer has a different lifestyle to the typical first-year student, and our buildings cater for this. They are looking for a studio or a 2/3 bedroom flat. Almost 70% are international and are paying significant levels of fees to be at university in the UK, so they want a homely environment and a quiet place to study.

Our buildings are unique and many have their own identity, with upmarket appeal, such as the Ballet School (Glasgow), Dean Clarke Lofts (Exeter), an old hospital, Algernon Firth (Leeds), historically an institute of pathology or Halsmere Studios (London), originally a 1930s music school. We design every interior as though it is a home, whilst standardisation and robustness ensures long-term economic benefits. Our standard design specification for each building includes a gym, cinema, shared work rooms, laundrette and communal areas for residents and their friends. This is not always possible for every building, but where we buy or develop properties in close proximity to each other, Empiric's customers can share such facilities.

Empiric buildings typically have 50–200 beds, which provide a friendly and individual setting. Due to the smaller building size, they tend to be in a central location, which is crucial; within walking distance of the university and close to shopping and amenities.

£0.8m

Gross annualised rent from commercial premises for period ended 30 June 2015

There is often ground floor commercial or retail space and gross annualised rent from these areas was approaching £1 million as at 30 June 2015. A number of buildings have restaurants or bars and several buildings around the country incorporate supermarket outlets such as Sainsbury's, Tesco and Morrisons.

International students generally pay a full year's rent upfront and, therefore, since a high proportion of our customers are international students, the Group's exposure to bad debt is limited. We are also able to reset rents annually, with clusters of mid-sized properties facilitating flexibility in setting rates for individual properties.

As we develop closer control of our operations we will look at secondary income streams such as daily room cleaning and full laundry services.

Q: Has your market environment changed since IPO?

A: Our underlying market dynamics are strong and we believe that they will remain that way for the foreseeable future. There are seven times as many students studying in the UK as there were a generation ago (based on acceptances of undergraduates compared to the 1970s) and despite many years of substantial private sector investment in purpose-built student accommodation, there is still very little purpose-built accommodation available for second and third year undergraduates and postgraduates.

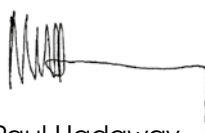
HESA statistics for 2013–14 showed that university attendance was at a high and UCAS statistics for Autumn 2015 entry are up across all sectors particularly for, inter alia, students from the EU. Overlaid on that is the recovery in the UK economy, with the availability and cost of debt easing gradually.

7x

Students studying in the UK compared to a generation ago

Land values have increased over the past year, but this does vary from city to city. It is now not unusual to be outbid for a site and then to find the winning bidder falling away. There are many first-time student developers who underestimate construction costs of building and the quality of space needed. There is some overbidding for sites resulting in developers being unable to raise the development debt and looking for a forward funding route as an exit. This works to the Company's advantage as Empiric operates as both a funder or developer.

Student property has become much more readily understood as a development opportunity but the market remains fragmented. Although there have been high prices paid for some London portfolio transactions, they have not translated to single asset sale prices in the regions. There have been some hopeful asking prices in the provinces and we have had to say no to some well-located buildings where we consider that the net initial yield is just not sustainable. One of the advantages of our business is the "lettability" of these spaces – as long as we have the right building in the right location at the right price, we will let it.



Paul Hadaway
Chief Executive Officer

Ballet School, Glasgow.

Inset, top: The front of Willowbank Primary School on acquisition

Inset, bottom: Architect's drawing of the Willowbank Development showing rear courtyard to be shared with the Ballet School (to the right).

CASE STUDY – CLUSTERING STANDING & DEVELOPMENT ASSETS

Name of Asset:
**Willowbank &
Ballet School**

Location:
Glasgow

Overview

In December 2014, Empiric gained planning consent to develop the former Willowbank Primary School building into a 178 bed scheme comprising a mix of studio, two and three bed apartments. This development is being undertaken via a 50:50 joint venture arrangement with Revcap and is due to complete in August 2016.

In March 2015, the Group acquired the Ballet School, a high-quality conversion of the listed former home of the Scottish Ballet, comprising 103 self-contained studios, immediately adjacent to the Willowbank development. The Ballet School was fully let and is in its third year of operation.

Together, these will result in a 281 bed property in a prime location with superior shared communal facilities, while the Company benefits from a joint management platform and the advantages of a combined operation.

Our Target

Critical mass
achieved
through
acquisition and
development



Chief Investment Officer's Market Update

Despite the expansion in the sector in recent years, still only 7% of full-time students live in private sector purpose-built student accommodation.

Tim Attlee
Chief Investment Officer



The student accommodation sector in the UK has become a globally recognised investment class, with the first six months of 2015 seeing record levels of investment with approximately £3.75 billion of deals transacted compared with the previous record year of 2012 where deals worth £2.7 billion were transacted (Source: CBRE UK Student Market Investment Overview, June 2015). A key driver of the sector is the proven track record of returns, with a strong demand from students against a backdrop of a limited supply of purpose-built student accommodation.

Total student numbers have been on a long-term growth trend in the UK with an approximate seven-fold increase in the last generation (based on University and College Admissions Services ("UCAS") acceptance figures for undergraduates dating back to the 1970s). Historical numbers peaked at 2.5 million in 2010/2011, then declined to 2.3 million for the 2013/14 academic year (source: Higher Education Statistics Agency ("HESA")). This decline, however, has been almost entirely the result of falling part-time student numbers with the number of full-time students largely unaffected. Figures from UCAS show that acceptances for undergraduates for the 2014/15 academic year increased by 3.4% (equivalent to approximately 16,800 places) over the previous year and applications for the 2015/16 academic year, so far, indicate a further 2% increase which would take application numbers above the 2010/11 peak.

19%

of students in the UK
in 2013/14 were
international

A number of factors are driving the student numbers but key among these is the strong growth in students from outside of the UK; 5% from the EU and 14% from non-EU countries, representing a total of 19% of the 2013/14 student population. UCAS data indicates that applications on undergraduate courses by non-EU students increased by 5.7% for the 2014/15 academic year while acceptances by students from the EU

(other than the UK) increased by 7.6% compared to just 3.2% for UK domiciled students. The demographic of students has changed with nearly 25% of students now being postgraduates. It is in this market that Empiric operates with just under 70% of customers in 2014/15 being international students from 83 different countries, 43% postgraduate and with an age range of 18-49. Whilst UK school leavers are not Empiric's target market, being only 2% of 2014/15 residents, 33% of UK school leavers now go to university.

23%

of students in the UK
were postgraduates

These figures demonstrate that the UK continues to attract a large proportion of international students. Figures show that, in 2012, the UK was the second largest destination for international higher education with a 13% global share, second only to the USA with a 16% share. The global outbound student market (i.e. students enrolled outside their country of citizenship) is led by China which accounts for 19% and, of these students, 11% choose to study in the UK.

These international students are attracted to the quality of the UK's universities and teaching, a globally recognised qualification and the opportunity to enjoy life in the UK. According to recent research by the British Council, more than three quarters of new international students studying in the UK rate the UK educational offer as the same, better or much better than the main competitor country on each of these three factors. Further, approximately one in five international undergraduates expressed a desire to continue on to postgraduate study.

To date, the overall number of international students in higher education has been relatively unaffected by tighter immigration controls implemented by the last government. Instead, the current government appears keen to promote the UK as a destination for international students as the revenue generated is seen as an integral part of the UK's wider economic policy.

A further key government initiative that is expected to have a significant impact on student numbers is the removal of the cap on domestic students in 2015. Not only should this lead to an increase in UK student numbers but, paradoxically, it may fuel the growth in EU student numbers, as EU students are effectively treated as identical to those from the UK under EU regulations. The effect is that there is an increased market for UK universities to target. UCAS data for 2014/15 is showing early signs that universities may significantly increase their numbers of EU students who are attracted to English language based courses, the broader appeal of the UK and the buoyant UK jobs market. The growth of international students at UK universities has been countrywide and over the past ten years it has been faster outside than inside London.

There exists a persistent shortfall in purpose-built student accommodation, with recent figures showing that in the 35 selected premier university cities and towns in the UK now targeted by Empiric, all had a shortfall of purpose-built beds, with over 90% of students beyond their first year not having access to purpose-built accommodation. While, traditionally, purpose-built accommodation has been favoured by first year and international students, such accommodation is increasingly being sought by the postgraduate market. There is a finite supply of Victorian terraced houses, the quality of which no longer appeals to the more discerning student who can afford to pay for quality and such students are prepared to pay a premium to the price of houses of multiple occupation ("HMO") accommodation. Despite the expansion

of the sector in recent years, still only 7% of full-time students live in private sector purpose-built student accommodation ("PSPBSA"). The number of new PSPBSA beds built in 2013/14 equalled the increase in student numbers that year, keeping a status quo in the supply shortage.

The supply demand dynamics vary depending on local conditions with some university cities and towns outside London becoming more reliant on the revenues generated from the higher education sector. As a result, the expansion of universities and the student economy is increasingly seen as an integral part of their economic development plan. This is true for towns with a conscious regeneration agenda, such as Liverpool and Coventry, as well as the likes of Falmouth which is seeking, in part, to diversify its economy away from seasonal tourism.


7%

of full-time students in the UK live in private sector purpose-built student accommodation

According to The Times Higher Education university financial health check 2015, total university income in the UK was up 6% with total university surpluses up 12%. Moreover, 143 of the 160 institutions analysed were in surplus before exceptional items, with the top performers being smaller institutions and universities accredited after 1992, such as the University of Huddersfield.

Improving the student experience has become a priority in response to an increasingly competitive environment – this is evident in the growth in capital expenditure by the universities on new buildings and facilities as well as increasing staffing costs. Research is also a key factor in the competitiveness of a university but an increasing number of universities are having to rely on the surpluses from international students to subsidise research spending. It is predicted that with the lifting of the cap on student numbers, some universities could seize the opportunity to expand, putting further pressure on teaching and infrastructure costs... and therefore increasing the need for student accommodation.

In this context we are comfortable to continue our expansion towards the IPO target of 10,000 beds in this market.



Tim Attlee
Chief Investment Officer

“

We are committed to increasing education exports from £18 billion in 2012 to £30 billion by 2020. We will not achieve that goal unless we continue to attract the brightest and best from around the world.

”

Jo Johnson
Universities and Sciences Minister

Investment Policy

Empiric's investment objective is to provide shareholders with regular, sustainable and growing (at least in line with the RPI inflation index) dividends, together with the potential for capital appreciation over the medium to long-term.

Investment Policy

Empiric intends to meet its investment objective through acquiring, owning, leasing, and developing high quality student residential accommodation. We let to students in higher education on direct tenancy agreements.

We invest in and develop high-quality, modern student accommodation, generally located in prime, city-centre locations in top university cities and towns, spreading risk through a diverse geographic exposure.

Each of our Properties, Generally, Has:

- 50-200 beds in total
- Studios and 1-3 bedroom apartments
- Generous space per student bed
- All rooms with en-suite bathroom and kitchen facilities
- Communal facilities including a cinema room, gym, launderette, study rooms and break-out areas

Income

Rental income is predominantly generated from direct leases, as well as commercial lease opportunities within the properties. We will target upper quartile rent and primarily accommodate postgraduate and international students. We have annual rent reviews and rent varies within each building and for each room.

Investment

We acquire individual buildings and portfolios of properties as assets. We undertake limited development of new buildings or refurbish or convert student accommodation with other development partners or on our own. Apart from the development assets held in 50/50 joint ventures during the development phase, we have sole ownership of all investments.

We intend to hold the investments for the long-term, but will sell investments if a sale would represent a satisfactory return on the initial investment or enhances the value of Empiric, taken as a whole. There is no limit on disposals.

Investment Restrictions

- Generate income from no less than five separate buildings
- No single asset represents more than 20% of the Gross Asset Value
- At least 90% of the properties directly and indirectly owned are freehold or long leasehold properties (with at least 100 years remaining)
- A maximum of 15% of Net Asset Value may be committed to spend on the equity requirement for development or forward funded projects, including conversions. This is conducted in special purpose vehicles with no recourse to other Empiric assets
- Rent from commercial leases is limited to 25% of the total rent receipts of any single building and 15% of total rent receipts
- No investment in other closed-ended investment companies

Borrowing Policy

The Company will maintain a conservative level of aggregate borrowings typically of 35%, but no more than 40%, of the Gross Asset Value (calculated at the time of draw down) and will comply with REIT provisions. This limit will be inclusive of the Company's pro-rata share of development loans incurred in relation to joint venture development projects.

Borrowings employed by the Group may either be secured on individual assets without recourse to the Company or by a charge over some of the Group's assets to take advantage of potentially preferential terms. Development loans, however, will only be secured at the individual asset level, without recourse to the Group's other assets or revenues.

The Company may engage in interest rate hedging in respect of borrowings, or otherwise seek to mitigate the risk of interest rate increases, for efficient portfolio management purposes only.

For information on how the Company implements its Investment Policy through its Business Model and strategy, please refer to pages 4 and 5.

CASE STUDY – PORTFOLIO ACQUISITION

Name of Asset:
Urban Sleep Portfolio

Location:
Liverpool

Overview

The portfolio of properties acquired from Urban Sleep for £41.6 million in June 2015 enabled Empiric to gain immediate critical mass of 382 beds in Liverpool, a target city. The portfolio reflects the Company's key investment criteria: prime location close to the city centre and two universities, individual buildings ranging in size from 19 to 147 beds of a high quality, and attractive to international students. Three of the buildings also include retail space let to, for example, Tesco, Caffè Nero and a high-end restaurant.

While prices across the UK are increasing, key centres outside London can be less affected and this portfolio acquisition was attractively priced at a net initial yield of over 6%. The portfolio was also 45% geared and the Group took over the existing Santander debt facility as part of the acquisition.

This portfolio will form the cornerstone to Empiric's proposed marketing and operational platform at the end of the current management contract.

Our Target

Efficient
deployment
of capital

The Octagon (left) and Haywood House (right), Liverpool

Chief Financial Officer's Review

The financial results for the Group for this period reflect an intense period of investment and growth.

Michael Enright
Chief Financial Officer



Accounting Policies

The Group's annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

Financial Results

The financial results for the Group for the period from 11 February 2014 (the date of incorporation) to 30 June 2015 reflect an intense period of investment and growth since the commencement of operations on the Company's IPO on 30 June 2014. The Company has also invested in growing its operational infrastructure in order to manage the growth of the business.

The operating profit for the Group for the period to 30 June 2015 under IFRSs was £12.6 million, the biggest contribution coming from the gain of £11.3 million, net of property acquisition costs, recognised on revaluing the Group's property portfolio (the "Portfolio") at the period end. The operating profits have also benefited from the rental income derived from the standing assets in the portfolio, which operated on a fully let basis¹ and produced rental income of £8.0 million.

The Group's share of results from joint ventures in the period was £2.8 million, which related to uplift in fair values of its properties.

Administrative and other expenses, which include the ongoing costs of running the business, were £4.8 million, equivalent to 1.9% of the value of the Portfolio as provided by CBRE, as at 30 June 2015.

Net financing costs for the period were £1.2 million, including the impact of a reduction in the fair value of interest rate swap and cap derivatives of £0.2 million. Further information on financing and hedging is provided below.

¹ The Company budgets and models on the basis of 97.5% occupancy. Occupancy or income of the operational portfolio to this level and in excess is considered fully let.

The profit before tax for the period was £14.2 million, with basic earnings per share for the period of 9.67 pence (9.61 pence on a diluted basis).

No Corporation Tax has been charged in the period because of the Group's fulfilment of all of its obligations as a REIT including its dividend distribution policy of distribution of at least 90% of its property related net income.

The Net Asset Value per share as at 30 June 2015 was 103.2 pence, prior to adjusting for the fourth interim dividend of 1 pence per share, compared with the Net Asset Value per share of 98.1 pence at IPO and is shown net of all property acquisition costs and dividends paid during the year.

Assets

Investment Overview

As at 30 June 2015, the Company had invested, or allocated for investment, £251.3 million in the freeholds (unless otherwise stated) of 37 direct-let student accommodation investments, comprising a mix of operating properties, forward commitment (assets acquired subject to practical completion), forward funded (funding of third party developments in return for a discount on the acquisition price) and development projects (the latter to be developed by the Group directly in conjunction with Revcap Advisors Limited ("Revcap")) (the "Property Portfolio"). The Group had also exchanged conditional contracts on three further properties for which the outstanding conditions (e.g. practical completion) had not been met as at 30 June 2015 and, therefore, the aggregate value of these properties of £20.6 million has not been included in the aggregate valuation of the Property Portfolio. In addition, the Group had exchanged conditional contracts on a further site for development, subject to receipt of planning consent.

CASE STUDY – VALUE UPLIFT THROUGH REFURBISHMENT

Name of Asset:
Oldgate House

Location:
Huddersfield

Overview

In May 2015, Empiric acquired Oldgate House, its second forward funded development in Huddersfield, for £11 million. As a part-occupied office block, the building was marketed for £5/sq ft but after its redevelopment as a 179 bed student accommodation property in a prime central location, the Company expects the capital value of the property to increase to £350-400/sq ft as rental value and occupancy increases.

Oldgate House is located between the inner city campus and the shops, bars and restaurants in the city centre.

Kingsmill Studios (formerly Snow Island) was the Company's first 98 bed forward funded development in Huddersfield. These 277 beds demonstrate the appeal of high quality assets in a growing university city.

Our Target

Value uplift
in prime
locations



University of
HUDDERSFIELD

UNIVERSITY OF THE YEAR

THE AWARDS
AWARD WINNER

University of Huddersfield

Inset: Oldgate House, Huddersfield, as marketed before it was acquired for redevelopment by Empiric

Chief Financial Officer's Review continued

A summary of the Property Portfolio and other properties as at 30 June 2015 is set out in Tables 1 and 2.

Table 1 – Operating Assets as at 30 June 2015 (29 in Total)

Name	Notes	Location	No. of beds	Date of acquisition	Purchase price (£m)	Net Initial Yield	Valuation Yield
College Green	1	Bristol	84	July 2014	10.0	6.7%	5.8%
Picturehouse Apartments		Exeter	102	July 2014	11.4	6.3%	5.9%
Summit House		Cardiff	87	July 2014	9.6	6.4%	6.0%
The Brook	Selly Oak, Birmingham		106	July 2014	12.0	6.5%	6.2%
Edge Apartments	Selly Oak, Birmingham		77	August 2014	8.9	7.0%	5.9%
Centro Court		Aberdeen	56	September 2014	6.5	6.8%	6.0%
Talbot Studios		Nottingham	98	September 2014	8.2	6.9%	6.0%
Alwyn Court		Cardiff	51	October 2014	3.5	7.0%	6.0%
London Road	2	Southampton	46	November 2014	3.6	7.5%	6.0%
Curzon Point	3	Hatfield	116	December 2014	9.2	6.4%	6.0%
Dean Clarke Lofts	4	Exeter	30	December 2014	4.5	6.6%	6.0%
Algernon Firth		Leeds	111	January 2015	7.2	6.6%	6.3%
Northgate House		Cardiff	67	February 2015	5.2	7.0%	6.2%
Halsmere Studios		London	79	February 2015	13.3	6.4%	5.5%
Ballet School		Glasgow	103	March 2015	11.9	6.7%	6.0%
St Mark's Court		Leeds	85	March 2015	7.1	6.6%	6.0%
St Margaret's Flats		Durham	109	May 2015	5.1	7.5%	6.8%
CityBlock 1		Lancaster	30	May 2015	2.1	6.1%	6.1%
CityBlock 2		Lancaster	77	May 2015	5.6	6.1%	6.1%
CityBlock 3		Lancaster	100	May 2015	7.9	6.1%	6.1%
CityBlock 1		Leicester	98	May 2015	6.2	6.3%	6.3%
CityBlock 2		Leicester	76	May 2015	4.8	6.3%	6.3%
Art School Lofts		Liverpool	64	June 2015	8.4	6.3%	6.3%
Maple House		Liverpool	147	June 2015	12.9	6.3%	6.3%
Chatham Lodge		Liverpool	50	June 2015	3.9	6.5%	6.5%
Hayward House		Liverpool	74	June 2015	5.4	6.3%	6.3%
The Octagon		Liverpool	19	June 2015	2.0	6.4%	6.4%
Grove Street Studios		Liverpool	28	June 2015	2.7	6.5%	6.5%
Caledonia Mill		Stoke-on-Trent	120	June 2015	6.3	6.5%	6.5%
Total/average yield			2,290		205.4	6.6%	6.1 %

Notes:

1 150 year lease, from August 2010.

2 Freehold/leasehold.

3 199 year lease, from December 2014.

4 999 year lease, from March 2014.

The portfolio of 29 operating properties was fully let¹ for the 2014/2015 academic year. The gross annualised rent for these properties was £18.4 million, of which £0.8 million (representing 4.4% of the gross annualised rent) was attributable to commercial revenue.

The average net initial yield of the operating properties as at 30 June 2015 was 6.6%. As the Company grows, its purchasing power is expected to increase with a resultant decrease in direct costs such as property management fees and utilities which should have a positive impact on yields.

¹ The Company budgets and models on the basis of 97.5% occupancy. Occupancy or income of the operational portfolio to this level and in excess is considered fully let.

Table 2 – Forward Commitment, Forward Funded and Development Assets as at 30 June 2015 (11 in Total)

Name	Notes	Location	Proposed no. of beds	Date of acquisition	Price paid or total investment to completion (£m)	Estimated completion date
Forward commitments						
Library Lofts	1, 2, 4	Exeter	61	May 2015	6.8	September 2015
Claremont Place	1, 2, 4	Newcastle	88	May 2015	11.0	September 2015
Forward funded projects						
Buccleuch Street		Edinburgh	86	July 2014	8.5	June 2016
Kingsmill Studios	1	Huddersfield	98	November 2014	7.2	September 2015
Talbot Street	3	Nottingham	77	February 2015	0.9	September 2016
Spital Court Studios		Aberdeen	123	March 2015	13.7	June 2016
William & Matthew House	4	Bristol	80	April 2015	0.2	September 2016
Welsh Baptist Chapel		Manchester	82	May 2015	7.9	September 2016
Oldgate House		Huddersfield	179	May 2015	11.0	September 2016
Development projects						
Brunswick House	1, 5	Southampton	173	July 2014	7.5	September 2015
Willowbank	5	Glasgow	178	December 2014	7.1	September 2016
Total			1,225		81.8	
Framwellgate House	6	Durham	110	–	1.2	September 2017

Notes:

- Subsequent to the period ended 30 June 2015, these assets will have become operational for the 2015/16 academic year.
- Purchase price on acquisition.
- The Group acquired the land site at 95 Talbot Street, Nottingham on 20 February 2015. The details of a proposed forward funded development for the site are under negotiation. Revised planning permission has been received increasing the number of beds from 65 to 77.
- The Group exchanged contracts on this property during the period to 30 June 2015 though certain conditions had not been satisfied at the period end.
- Development is being undertaken as a joint venture with an affiliated investment fund of Revcap and total investment to completion figure excludes Revcap's contribution.
- The Group exchanged conditional contracts on this site on 26 June 2015, subject to planning consent being obtained. Completion of the acquisition is expected in February 2016.

Valuation

The Company's Property Portfolio has been independently valued by CBRE in accordance with the RICS Valuation – Professional Standards January 2014 (the "Red Book"). As at 30 June 2015, the Property Portfolio had a market value of £251.3 million (excluding the joint venture interests not currently owned by the Group). Of this, £218.8 million was attributable to operating assets, an increase of 6.5% in value compared to the aggregate purchase price of £205.4 million (net of acquisition costs). The aggregate valuation attributable to the forward commitment, forward funded and development assets that had unconditionally exchanged was £32.5 million, which is based on progress of the development of the assets to 30 June 2015.

Chief Financial Officer's Review continued

Dividends

For the period ended 30 June 2015, the Company declared four interim dividends amounting, in aggregate, to 4 pence per share (of which 1 pence per share was declared on 8 July 2015), which achieves the objective set out at the time of the Company's November 2014 fundraising.

Of these dividends, 2.32 pence per share was declared as PIDs in respect of the Group's tax exempt property rental business and 1.68 pence per share was declared as ordinary UK dividends.

The Company is targeting an initial dividend yield of 6%, based on the IPO price of 100 pence per share, for the financial year commencing 1 July 2015, provided that the Company can continue to implement successfully its Investment Policy.¹

Financing

At IPO, the Company raised equity capital in an amount of £85 million (gross) through a placing and offer of shares to the public. In October 2014, the Company launched a share issuance programme enabling it to issue up to 300 million shares until 29 October 2015 (the "Share Issuance Programme") and raised a total of £150.65 million in gross equity in two tranches under the Share Issuance Programme. As at 30 June 2015, the Company had raised, in aggregate, gross equity proceeds of £235.7 million.

On 24 October 2014, the Company's wholly-owned subsidiary Empiric Investments (One) Limited ("EIOL") agreed a five-year £35.5 million term loan facility with The Royal Bank of Scotland plc ("RBS"). The RBS facility agreement is secured against eight of the Group's standing operating properties.

On 23 February 2015, the Company agreed an amended and restated facility with RBS, enhancing the facility to a revolving (redrawable) term loan facility of £55.5 million available to EIOL (the "RBS Loan") with a termination date of 24 October 2019.

The amount of £35.5 million currently advanced under the original RBS Loan is fully hedged via a co-terminus five year interest rate swap. The rate of interest payable on this portion of the RBS Loan is equal to a margin of 1.9% above the swap rate. The balance of the amount available under the RBS Loan is subject to an interest rate that caps the LIBOR rate at 2.5% which runs coterminously with the term of the facility.

On 11 May 2015, the Company's wholly-owned subsidiary Empiric Investments (Two) Limited ("EITL") agreed a 15-year fixed rate £31.1 million loan facility with Canada Life Investments ("Canada Life"), secured against a portfolio of eight operating assets held as a lending group by EITL (the "Canada Life Loan"). The Canada Life Loan has a fixed interest rate of 3.97% which is fixed up to a loan-to-value ratio of 50%.

¹ Shareholders should note that the figures in relation to dividends set out above and elsewhere in this Annual Report are for illustrative purposes only and are not intended to be, and should not be taken as, a profit forecast or estimate.

On 20 June 2015, the Group acquired Liverpool Edge Limited (now renamed Spring Roscoe Limited) which was subject to an existing term loan facility with Santander UK plc ("Santander") of which £18.7 million remained outstanding (the "Santander Loan"). The Santander Loan is secured against six of the Group's operating properties and is repayable in instalments of £187,500 per quarter. The Santander Loan is provided at a margin of 2.5% above LIBOR with a remaining term of approximately four years. The Group can give 90 days' notice on the debt and this facility will be reviewed in due course in the wider context of the Group's overall gearing strategy.

Empiric (Southampton) Limited, the joint venture development company owned on a 50/50 basis with an affiliated investment fund of Revcap, has entered into a development loan facility with Close Brothers Limited, for an amount of £10.0 million, to fund the development of the Brunswick House development project in Southampton.

Empiric (Glasgow) Limited, the joint venture development company also owned on a 50/50 basis with an affiliated investment fund of Revcap, has also entered into a development loan facility with Close Brothers Limited, for an amount of £10.1 million, to fund the development of the Willowbank development project in Glasgow.

As at 30 June 2015, the aggregate loan-to-value ratio was 26.3%.

Post Balance Sheet Events

Since the period end, the Group has continued on its growth trajectory. In July 2015, the Company raised gross equity proceeds of £75 million through a further offer of shares under its Share Issuance Programme.

Further, the Company has announced the acquisition of three assets which were operational or expected to be operational by the end of September 2015 and seven properties under development which, together, represent a further 1,195 beds. Details of these acquisitions are set out in Table 3 on page 22.



Top: Dean Clarke Lofts (rear), Exeter
Bottom: Interior views

Chief Financial Officer's Review continued

Table 3 – Assets Acquired Since 30 June 2015 to Date (10 in Total)

Name	Notes	Location	No. of beds	Date of acquisition	Price paid or total investment to completion (£m)	Estimated completion date	Net Initial Yield
Operating							
Maritime House		Falmouth	132	August 2015	8.1	n/a	6.7%
The Registry	1	Portsmouth	41	August 2015	4.5	n/a	6.5%
333 Bath Street	1	Glasgow	70	September 2015	7.2	n/a	6.5%
Forward commitments							
1-3 James Street West		Bath	78	August 2015	7.7	September 2016	n/a
James House		Bath	169	August 2015	25.0	September 2016	n/a
Forward funded projects							
Portobello Road		Sheffield	134	August 2015	10.7	June 2016	n/a
The Frontage		Nottingham	162	August 2015	18.5	September 2016	n/a
Bonhay Road		Exeter	139	September 2015	2.5	October 2017	n/a
Metrovick House		Newcastle	63	September 2015	7.4	July 2016	n/a
Development projects							
Forthside		Stirling	207	August 2015	0.7	September 2017	n/a
Total			1,195		92.3		

Notes:

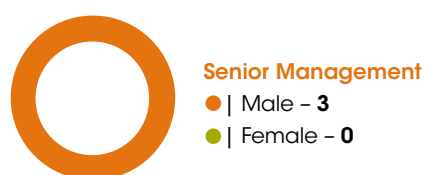
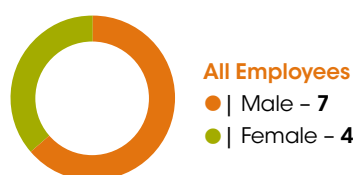
1 These assets were acquired as forward commitment investments in August 2015 and September 2015, respectively, but which have commenced operations as at 14 September 2015.

Alternative Investment Fund Manager ("AIFM")

On 26 November 2014, the Company was authorised as a full scope AIFM and is regulated by the Financial Conduct Authority.

Employees

Empiric supports the principle of diversity in the workplace. The gender diversity split as at 30 June 2015 was as follows.



Thanks

I would like to thank our Finance Team for their hard work and dedication over this period of significant growth in the business and meeting the many challenges along the way.

Michael Enright
Chief Financial Officer
14 September 2015



Key Performance Indicators

The Company's objective is to deliver attractive returns to shareholders through the execution of its investment policy which is set out on page 14.

The Key Performance Indicators on which the Company will report each year to track the progress made are set out below.

Measure	Description	Performance
NAV per share 2015: 103.2 pence (basic)	The value of the Group's total assets less the book value of its liabilities attributable to shareholders.	The Group's NAV per share as at 30 June 2015 was 103.2 pence, growing 5.1% from NAV per share at IPO which was 98.1 pence.
Loan to Value ratio ("LTV") 2015: 26.3%	The proportion of borrowings compared to Gross Asset Value (defined as total assets less current liabilities). Pursuant to the Company's Investment Policy, the Group's LTV will typically be 35% but no more than 40%, measured at the time of draw down.	The Group's LTV as at 30 June 2015 was 26.3%.
Total return to shareholders ("TR") 2015: 11.5%	TR to shareholders is the ratio of growth in share price plus dividends paid as a percentage of IPO issue price.	The TR of the Group was 11.5% for the period to 30 June 2015, compared with 2.6% for the FTSE All Share Index for the year ended 30 June 2015. This performance is in the context of the average holding period for the Group's assets of 146 days.
Dividend yield against target 2015: 4.0%	Dividends paid to shareholders in respect of the year referenced to the IPO price per share paid by investors on launch of 100 pence.	The dividend yield per share based on the IPO price of 100 pence was 4% compared to a revised target for the year of 4%.
Earnings per share 2015: 9.7 pence (basic)	The post tax earnings generated that are attributable to shareholders.	Earnings per share (basic) for the period to 30 June 2015 was 9.7 pence.

Halsmere Studios, London



Principal Risks and Uncertainties

The Board has overall responsibility for risk management and internal control within the Group.

The Audit Committee reviews the effectiveness of the Company's risk management process on behalf of the Board.

The Board recognises that the operation of a company is not without risk but that effective risk management is key to the success of an organisation.

Approach to Managing Risk

The risk management process is designed to identify, evaluate and mitigate (rather than eliminate) significant risks that the Group faces. Therefore, the process can only provide reasonable, and not absolute, assurance. The Company outsources certain services to the Administrator, FIM Capital Limited, and other service providers, and reliance is placed on the Company's service providers' own systems and controls.

The Board undertakes formal risk reviews with the assistance of the Audit Committee in order to assess the effectiveness of the Company's risk management and internal control systems. During the course of such reviews, the Board has not identified, nor been advised of, any failings or weaknesses which it has determined to be of a material nature.

The principal risks and uncertainties that the Group faces are set out below.

Principal Risk

Principal risks have the potential to affect the Group's business materially – either favourably or unfavourably. Some risks may be unknown at present, and certain risks that are currently regarded as immaterial, and therefore not included here, may turn out to be material in the future.

Property Market Risk

Risk	Impact	Mitigation
The Group's property performance will depend on general property and investment market conditions.	An adverse change in the Group's property valuations may lead to the Group breaching its banking covenants. Market conditions may also negatively impact on the revenues earned from the property assets, which may impact the Group's ability to make distributions to Shareholders.	<p>The Group's assets are located in multiple, prime locations, diversifying the risk of adverse changes to the Property Portfolio.</p> <p>The Group continually manages its activities so as to always operate within its banking covenant limits and constantly monitors its margins. Further, with international students paying in advance, the Group maintains substantial cash balances on account.</p> <p>The characteristics of the student property sector in recent years have demonstrated considerable robustness underpinned by a significant and beneficial supply and demand imbalance.</p>



Brunswick House, Southampton, Show Flat

Principal Risks and Uncertainties continued

Risk	Impact	Mitigation
The ability of the Group to achieve its investment objective is dependent on both the rental income received from the properties and the appreciation in property values over time.	Rental income and property values may be adversely affected by an increased supply of student accommodation, failure to collect rents, increasing costs or any deterioration in the quality of the properties in the property portfolio.	The Group owned a diversified portfolio of 40 properties as at 30 June 2015, of which 29 are already operational and are managed by reputable property management companies. Therefore, the Group is not unduly exposed to any one student market nor is it reliant on only one property manager. The management of the property portfolio is overseen by the Group's Operations Director who liaises with the property managers to ensure rental income is collected on time (usually in advance at the start of an academic year), that the properties are well-maintained and the desired level of customer service is provided.
The Group will continue to focus exclusively on the student accommodation sector. It will, therefore, have direct reliance on the development of the higher education market in the UK, including a change in demand from international students.	An adverse change in the higher education market in the UK could lead to a reduction in student numbers and, therefore, demand for student accommodation. This, in turn, could result in reduced rental income and negatively impact the value of the property portfolio.	The Board monitors government policy and its impact on, and forecasts of, UK, EU and international student numbers studying in the UK. The Board is also careful to ensure that it acquires or develops student accommodation properties in top university cities and towns in the UK, such as the Russell Group or high growth universities. Further, the Directors seek to ensure that the Group's developments and, where possible, acquisitions of standing assets, are fit for alternative use such as private residential, subject to planning.
The Group faces competition in the student accommodation sector from a number of UK and international property investors, both existing and new, which may have access to larger financial resources and/or be targeting lower investment returns.	This may lead to an oversupply of rooms through overdevelopment, to prices for existing properties or land for development being inflated or to an adverse impact on rents to be achieved.	The Group is targeting 10,000 beds across 25–30 cities and towns compared to a student population across the UK (post first year and/or international) of over 1.7 million. The Group's assets are situated in prime locations and, therefore, in times of reduced demand, these properties should be more attractive than the competition at the right price.
The Group's development activities are likely to involve a higher degree of risk than is associated with operating properties including general construction risks such as delays or health and safety problems, developments not being completed (while associated costs are still incurred) or changes in market conditions which could result in completed developments having substantial vacancies.	Any of the risks associated with the Group's development activities could reduce the value of the Group's assets.	Under the Company's investment policy, the Company may only commit up to a maximum of 15% of its Net Asset Value to expenditure on development or forward funded projects (excluding the cost of the land or property to be developed). Since IPO, a greater proportion of the Group's development activities has been undertaken through forward funded projects rather than direct developments. Investment into forward funded projects reduces the risk to the Company as the developer takes on the construction risk and the risk of cost over-runs.

Funding Risk

Risk	Impact	Mitigation
The Group's strategy anticipates the Company or certain Group companies incurring debt with interest payable based on LIBOR and it may hedge or partly hedge interest rate exposure on borrowings. However, such measures may not be sufficient to protect the Group from adverse movements in prevailing interest rates.	Future increases in the amount of interest payable by the Group on its borrowings would reduce the profitability of the Company.	<p>Since IPO, the Executive Directors have been in active discussions with a number of debt providers and, to date, have secured facilities with four separate providers (including joint venture debt providers) and have agreed fixed rates or employed interest rate hedging which is in place for 65.4% of the variable rate debt.</p> <p>The weighted average term to maturity of the Group's debt is 8.07 years.</p>
Acquisition of properties may be funded partly by borrowings. If the value of the Group's assets falls, the NAV of the Group's will reduce. Furthermore, the Group's borrowings contain loan to value covenants.	If the Group's assets decrease in value there is a risk that such covenants could be breached.	The Company's investment policy provides for a prudent borrowing (within a target of 35%) limit for the asset class of a maximum of 40% of the Gross Asset Value. The Board regularly reviews property valuations and would seek to take action in advance should it look like any property used as collateral had decreased in value to the extent that there was a risk that the Group might breach any of its loan to value covenants. The loan to value covenants have been negotiated to be as flexible as possible.
The Group may not be able to secure further debt on acceptable terms.	Without the continued availability of debt on acceptable terms, the Group may be unable to progress investment opportunities as they arise and continue to grow the Group in line with the long-term strategy.	<p>The Executive Directors are in active discussions with a number of debt providers in order to secure future debt on acceptable terms.</p> <p>The forward funded developments' yields on cost reduce the need for gearing to meet the dividend requirement.</p>

Taxation Risk

Risk	Impact	Mitigation
The Company operates as a UK REIT and has a tax efficient corporate structure with advantageous consequences for UK shareholders. Any change to the Company's tax status or in UK tax legislation (or interpretation thereof) could affect the Company's ability to achieve its investment objective or provide favourable returns to shareholders.	If the Company fails to remain a REIT for UK tax purposes, its profits and gains will be subject to UK corporation tax.	The Board is ultimately responsible for ensuring adherence to the UK REIT regime and monitors the compliance reports provided by the Executive Directors on potential transactions to be undertaken, the Administrator reports on asset levels and the Company's registrar and broker on shareholdings.

Principal Risks and Uncertainties continued

Operational Risk

Risk	Impact	Mitigation
The Group's ability to achieve its investment objective is partially dependent on the performance of the Executive Directors which cannot be guaranteed. As a result, the Group's performance will, to a large extent, be dependent upon the ability of the Company to retain key staff through suitable incentivisation and/or recruit individuals of similar experience and calibre on a timely basis.	<p>Failure by the Executive Directors to acquire and manage assets effectively could materially adversely affect the Company's profitability, the Net Asset Value and the share price.</p> <p>Similarly, the departure of an Executive Director and either a delay or failure in recruiting a suitable replacement could have an adverse impact on the performance of the Group.</p>	<p>The Executive Directors' interests are aligned with those of other shareholders with each Executive Director currently holding a meaningful interest in the shares and their long-term incentivisation to be satisfied in shares.</p> <p>The Remuneration Committee is taking external advice on the Directors' remuneration in order to formulate a remuneration policy that incentivises the Executive Directors to achieve the goals of the Company for the benefit of the shareholders, as a whole.</p>
The Group may not be able to let the commercial units which form part of some of the properties it owns or acquires.	A number of the Group's properties include commercial units which generate between 5%-20% (depending on each property) of the individual total rental income from such properties. If the Group was not able to lease some or all of these commercial units, it could have a material adverse effect on the Group's profitability, the Net Asset Value and the price of the Shares.	Under the Company's Investment Policy, commercial leases are limited to 25% of total rent receipts of any single building and 15% of the Group's total rent receipts limiting the impact of any one commercial unit. For the period to 30 June 2015, the aggregate annualised rental income from commercial leases amounted to 4.4% of the Group's gross annualised rent for its operating assets.
The Group may not be able to maintain the occupancy rates of its properties or any other student accommodation properties it acquires.	If the Group is unable to maintain attractive occupancy levels (or to maintain such levels on economically favourable terms) in relation to its properties, there may be a material adverse effect on the Group's profitability, Net Asset Value and the share price.	The Board carefully assesses the Group's acquisitions to ensure that the properties are well located in prime university towns and cities. The diverse portfolio of mid-sized buildings reduces the impact of reduced occupancy in any one building on the overall portfolio and allows the Group to adjust its pricing property by property to ensure maximum occupancy levels for each property.
Construction of the Group's development projects may be subject to delays or disruptions that are outside of the Group's control	A delay in the timely construction of the Group's assets under development could result in one or more of the development assets not being delivered in time for the start of a particular academic year with a resultant impact on occupancy and revenue.	The Group's assets under development with a third party developer, generally, benefit from a one year rental guarantee for the first year of operations which covers the event of the asset not being delivered in time for the start of the academic year. For assets being developed by the Group (directly or through its joint venture arrangement with Revcap), the Group puts in place suitable insurance cover and arrangements with the responsible contractor or sub-contractor to cover the impact of any delay.

Governance

Board of Directors



Brenda Dean (The Rt Hon the Baroness Dean of Thornton-le-Fylde) (Chairman)

Baroness Dean has significant leadership experience, coupled with a combination of knowledge of both the real estate and higher education sectors.

Amongst her various leadership roles, Baroness Dean has chaired the boards of the Covent Garden Market Authority and the Housing Corporation (now the Homes and Communities Agency). She was also a non-executive director of Taylor Wimpey plc (acting as a member of all board committees at various times) and is currently a member of the regulated board of Places for People.

Baroness Dean is a member of the Council of Nottingham University (a member of the Russell Group) and was a member of the National Committee of Inquiry into the Future of Higher Education – the Dearing Committee. She has also been a Council member of City University, London, the Open University and the London School of Economics.

Baroness Dean chairs the Nominations Committee and sits on the Remuneration Committee.



Paul Hadaway RIBA (Chief Executive Officer)

An architect by training and with a wealth of UK and international experience in property, Paul first began investing in property in 1997. In 1999, Paul began working with Tim Attlee, undertaking various property developments including student, up-market residential, medical and educational turn-key buildings as well as commercial offices, focusing on student accommodation since 2009.

As a co-founder of Empiric in 2014, Paul's primary responsibility has been overseeing the development of the Company since IPO, ensuring the implementation of the Board's strategy and delivery on the Company's stated goals. He is jointly responsible for the acquisition, development and management of Empiric's student portfolio.

Since IPO, Paul has remained in regular contact with key shareholders and potential investors. He sits on the Nominations Committee and is also responsible for the ongoing appointments of the Company's advisers and service providers.



Tim Attlee MRICS (Chief Investment Officer)

After qualifying as a chartered surveyor, Tim's early career was based in southern Africa, undertaking all aspects of real estate general practice but with particular emphasis on institutional investment and property development. After returning to the UK in 1998, Tim worked on projects across the UK, before establishing a working partnership with Paul Hadaway in 1999, eventually co-founding Empiric in 2014.

Tim's primary responsibility is the acquisition and development of Empiric's portfolio, including the progression of potential acquisition opportunities which he sees through from identification through due diligence and negotiation to Board approval and completion.

Tim has also been actively involved in promoting the Company to shareholders and potential investors since the launch of Empiric.



Michael Enright FCA (Chief Financial Officer)

Michael qualified as a chartered accountant with Arthur Andersen & Co and embarked on a career in corporate finance in the US before returning to the UK. He then, as finance director for a number of public and private companies principally in the TMT sector, led many successful corporate development initiatives. In 1999, his focus changed to the property and leisure sectors which included advising and investing alongside Paul Hadaway and Tim Attlee.

Michael is responsible for the Group's finances both in terms of the day-to-day reporting and monitoring financial matters as well as capital structuring, including negotiations with debt providers. He is also responsible for ensuring that the Company meets all of its compliance and regulatory obligations, especially the UK REIT and AIFM regime.



Jim Prower ACA
(Non-Executive Director)

Jim has worked in industry and commerce since 1985, having qualified in 1979 as a chartered accountant at Peat, Marwick, Mitchell & Co. He acted as finance director and company secretary at several public companies, before joining Argent Group in a similar role.

Since 2009, Jim has been involved with the development of King's Cross Central (now a joint venture between London & Continental Railways, Australian Superannuation, DHL Supply Chain and Argent King's Cross Limited Partnership), for which he has been primarily responsible for raising debt for working capital, development and investment as well as reporting. Since late 2012, Jim has been a member of Argent (Property Development) Services LLP and Argent Investments LLP, which acquired Argent Group's property development and management businesses.

Jim is the Senior Independent Director. Given his financial background, he chairs the Audit Committee and also sits on the Remuneration Committee. Jim is also a non-executive director, chairing the audit committee, of Tritax Big Box REIT plc.



Alexandra Mackesy
(Non-Executive Director)

Alexandra's background is as an equity research analyst, specialising in Asian listed companies and the equity markets in the Far East. She spent over ten years based in Hong Kong, holding senior positions in the Asian and Far Eastern research divisions of Credit Suisse, JP Morgan and SBC Warburg/SG Warburg. Since her return to the UK, Alexandra has served as non-executive director on the boards of a number of investment trusts and their various board committees, including audit and remuneration. She is currently non-executive director of Scottish Oriental Smaller Companies plc and Asian Total Return Investment Company plc.

Given her background, Alexandra has a particular understanding of shareholders' needs and is able to provide an analytical insight into areas that are likely to be of particular importance to the market. She has a keen interest in corporate governance matters, particularly in relation to investment companies.

Alexandra chairs the Remuneration Committee and is a member of the Audit Committee.



Stephen Alston
(Non-Executive Director)

Stephen is a partner of Real Estate Venture Capital Management LLP with responsibility for asset management across its UK investment portfolio and the raising of debt for both investment and development projects. He was previously Deputy CEO (Commercial Banking & Treasury) at Ahli United Bank (UK) PLC and is a member of the Association of Property Lenders.

With 25 years' experience of structuring investment, development and planning deals as a lender and financial equity partner for both commercial and residential projects through market cycles, Stephen brings to the Board valuable experience and expertise in these areas.

Stephen is a member of the Audit Committee and the Nominations Committee.

Corporate Governance Statement

Chairman's Introduction

The principles of corporate governance that have been adopted by the Board are set out in this section of the Company's Annual Report.

The Board recognises the importance of, and is committed to, the maintenance of the highest standards of corporate governance which meet the statutory and regulatory requirements for companies listed in the United Kingdom.

Governance Framework

On its IPO in June 2014, the Company adopted the UK Corporate Governance Code 2012 (the "UK Corporate Governance Code"). In February 2015, the Company became a member of The Association of Investment Companies (the "AIC"). The Board has considered the principles and recommendations of the AIC Code of Corporate Governance (the "AIC Code") by reference to the AIC Corporate Governance Guide for Investment Companies (the "AIC Guide") published by the AIC. The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company as an investment company.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide better information to shareholders.

Statement of Compliance

The Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code except for the annual assessment of the performance of the Directors. Since the Company's operations only commenced in June 2014, following its IPO, the Board has not yet undertaken a formal assessment of its own performance but will do so within the next financial year and will continue to do so on an annual basis.

The Principles of the AIC Code have been addressed as follows:

The Board

1. The Chairman should be independent

The Company's Chairman, Brenda Dean, is independent. In addition, Jim Prower, is the Senior Independent Director who, amongst other things, takes the lead in the annual evaluation of the Chairman and is an alternative contact for shareholders.

2. The majority of the Board should be independent

The Board comprises seven Directors of which the Chairman, Brenda Dean, and the Non-Executive Directors (Jim Prower, Alexandra Mackesy and Stephen Alston) are considered to be independent of the Executive Directors (Paul Hadaway, Tim Attlee and Michael Enright). As an employee of Real Estate Venture Capital Management LLP, Stephen Alston is not considered to be fully independent for the purposes of the Listing Rules.

3. Directors should be submitted for re-election at regular intervals

Under the Company's Articles of Association (the "Articles"), each Director shall retire from office at the third annual general meeting after the AGM or general meeting ("AGM") (as the case may be) at which she/he was previously appointed. As the AGM to be held on 4 November 2015 is the first since their appointment, all of the Directors will retire and stand for re-election at that meeting.

4. The Board should have a policy on tenure

Under the Articles, any Director who has held office with the Company, other than employment or executive office, and who, at the date of the AGM, has held such office for nine years or more, shall be subject to reappointment at each AGM.

5. There should be full disclosure of information about the Board

Full information on the Board, as a whole, and the Directors, as individuals, is set out, inter alia, in this Annual Report.

6. The Board should aim to have a balance of skills, experience, length of service and knowledge of the Company

The Nominations Committee is responsible for regularly reviewing the composition of the Board. In making appointments to the Board, the Nominations Committee considers the wide range of skills, knowledge and experience required in order to maintain an effective Board.

7. The Board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual Directors

As the Company is in its first period of operation, the Board has not yet carried out a review of its performance. The Board intends to carry out its first annual review of performance during the next financial year and will report on it in the next Annual Report.

8. Director remuneration should reflect their duties, responsibilities and the value of their time spent

The Remuneration Committee is responsible for reviewing the scale and structure of the remuneration of the Directors and sets levels of remuneration appropriately so as to attract, retain and motivate the Board. Details of the remuneration policy can be found in the Remuneration Report on pages 44 to 57 (inclusive).

9. The independent Directors should take the lead in the appointment of new Directors and the process should be disclosed in the Annual Report

The appointment of new Directors to the Board is led by the Nominations Committee. Further details of the activities of the Nominations Committee can be found on page 40.

10. Directors should be offered relevant training and induction

All Directors receive an induction on joining the Board and, as part of the annual performance evaluation, the training and development needs of each Director are assessed.

11. The Chairman (and the Board) should be brought into the process of a new launch at an early stage

The Company was established by the Executive Directors, each of whom was appointed as a Director on, or within one month of, incorporation. By virtue of his partnership in Real Estate Venture Capital Management LLP, Stephen Alston was involved in discussions regarding the structuring and viability of the Company at its outset. The Chairman, Brenda Dean, was actively involved with the Company from mid-April 2014 and oversaw the appointments of Jim Prower and Alexandra Mackesy in May 2014. All four Non-Executive Directors participated in the negotiation and structuring of the Executive Directors' remuneration packages ahead of the Company's IPO on 30 June 2014.

Board meetings and the relationship with the Executive Directors

12. Boards should operate in a supportive, co-operative and open environment

The Chairman promotes an open and constructive environment in the boardroom and actively invites the Non-Executive Directors' views. The Non-Executive Directors provide objective, rigorous and constructive challenge to the Executive Directors and communicate regularly amongst themselves.

13. The primary focus at regular Board meetings should be a review of investment performance and associated matters such as gearing, asset allocation, marketing/ investor relations, peer group information and industry issues

The Chairman (in conjunction with the Chief Financial Officer and the Company Secretary) sets the agendas for the meetings, manages the meeting timetable and facilitates open and constructive dialogue during the meetings. The Board has a schedule of matters specifically reserved for its decision which include the approval of budgets, setting investment and performance objectives and policies, the approval of the Company's financial statements and published reports, the approval of equity and debt fundraising and the approval of all investments.

Prior to each meeting, the Directors are provided with a comprehensive set of papers providing information on the Company's proposed investments, its financial position and performance, an update on the student accommodation sector, a monthly shareholder analysis and a report on regulatory and governance matters.

14. Boards should give sufficient attention to overall strategy

The Board gives sufficient attention to the overall strategy of the Company at every Board meeting.

Corporate Governance Statement continued

15. The Board should regularly review both the performance of, and contractual arrangements with, the Executive Directors

The performance of the Executive Directors will be assessed as part of the annual board performance review. In addition, they are assessed by the Remuneration Committee against a number of pre-determined performance targets in respect of their LTIP awards, details of which can be found in the Directors' Remuneration Report on pages 44 to 57 (inclusive).

The Board sets out the Group's risk appetite and annually reviews the effectiveness of the Group's risk management and internal control systems. The activities of the Audit Committee, which assists the Board with its responsibilities in relation to the management of risk, are summarised on pages 41 to 43 (inclusive).

16. The Board should agree policies with the manager covering key operational issues

Not applicable as the Company is internally managed.

17. The Board should monitor the level of the share price discount or premium (if any) and, if desirable, take action to reduce it

The Board monitors the performance of the Company's share price both on an absolute level and relative to the prevailing Net Asset Value per ordinary share. The Directors have at their disposal the authority to buyback or issue ordinary shares (within certain parameters) which would allow them to address anomalies in the performance of the ordinary shares, if necessary. The Board works with the Company's Financial Advisers and Broker to maintain regular contact with investors and measure investor sentiment.

18. The Board should monitor and evaluate other service providers

The Board as a whole reviews the continuing appointment of its service providers to ensure that terms remain competitive and in the best interests of shareholders. The Executive Directors will carry out an annual review of the relevant contracts and report the results of these reviews to the Board through a twice yearly internal control report.

The Board has access to independent professional advisers at the Company's expense.

Shareholder communications

19. The Board should regularly monitor the shareholder profile of the Company and put in place a system for canvassing shareholder views and for communicating the Board's views to shareholders

The Executive Directors meet regularly with shareholders and the Board receives regular feedback on shareholder issues. The Directors make themselves available at general meetings to address shareholder queries and the annual general meeting, in particular, provides the Board with an important opportunity to meet with shareholders, who are invited to meet the Board following the formal business of the meeting. The Chairman and Executive Directors make themselves available, as necessary, outside of these meetings to speak to shareholders.

20. The Board should normally take responsibility for, and have direct involvement in, the content of communications regarding major corporate issues

All communications with shareholders are subject to sign off by one or more of the Directors, as appropriate. Any communications regarding major corporate issues are approved by the Board prior to release.

21. The Board should ensure that shareholders are provided with sufficient information for them to understand the risk:reward balance to which they are exposed by holding the shares

The Board places great importance on communication with shareholders. It aims to provide shareholders with a full understanding of the Company's activities and performance and reports formally to shareholders twice a year by way of the Half Yearly Report and the Annual Report, including, in particular, the Strategic Report. The Strategic Report is set out on pages 1 to 30 (inclusive) and this provides information about the performance of the Company, the investment policy, strategy and the risks and uncertainties relating to the Company's future prospects.

This is supplemented by frequent notifications via a regulatory information service on developments such as asset acquisitions and the Company's website is regularly updated.

A copy of the AIC Code and AIC Guide can be found at www.theaic.co.uk.

Leadership

The Board

The principal responsibility of the Board is to promote the long-term success of the Company by creating and delivering sustainable shareholder value. The Board leads and provides direction for the Executive Directors by setting the Company's Investment Objective and Investment Policy and overseeing its implementation by the Executive Directors. The Board is responsible for ensuring that an effective system of internal control is maintained and that the management team maintains an effective risk management and oversight process across the Group, so that growth is delivered in a controlled and sustainable way.

As an internally managed company, the Executive Directors are principally responsible for the management of the Company's investment activities on a day-to-day basis.

The Board consists of three Executive Directors and four Non-Executive Directors (including the Chairman). All of the Non-Executive Directors are independent of the Executive Directors. As a partner of Real Estate Venture Capital Management LLP (which is affiliated with the Company's joint venture partner, Revcap), Stephen Alston is not considered independent for the purposes of the Listing Rules.

Each of the Executive Directors has entered into a contract with the Company which includes a 12 month notice period and contains restrictive covenants. Each of the Non-Executive Directors has entered into a letter of appointment with the Company which can be terminated in accordance with the Articles with no notice period specified. Following an appointment to the Board, each Director is required to be re-elected by shareholders at the next AGM of the Company AGM and to submit for re-election at every third AGM thereafter. All Directors are subject to retirement by rotation in accordance with the Articles.

The Directors to retire by rotation shall include: any Director who is due to retire at the meeting by reason of age or who wishes to retire and not to offer himself for re-election; the Director who has been longest in office since his last re-election (determined by agreement or lot if more than one Director was last re-elected on the same day); and any Director who, in the absence of any such retirement, would continue in office for a period in excess of three years. A retiring Director is eligible for re-election. Any Director who has served on the Board for longer than nine years will be subject to re-election at each subsequent AGM.

The Directors believe that the Board is well balanced and that, between all seven Directors, it possesses a sufficient array of skills, derived from a variety of backgrounds, along with relevant experience and knowledge to ensure that it functions correctly and that it is not dominated by any single Director. Biographical information on each of the Directors is set out on pages 32 and 33.

The Board recognises that its composition is fundamental if it is to provide strong and effective leadership and it has, therefore, formed a Nominations Committee to review its composition and to assess whether the balance of skills, experience, knowledge and independence is appropriate and enables it to operate effectively. A separate report of the Nominations Committee is included on page 40.

The Board has approved a schedule of matters reserved for its consideration and approval. Such matters include:

- Board membership and powers including the appointment of Directors;
- approval of the budget, financial plans and both annual and interim financial reports;
- treasury functions;
- reviewing property valuations;
- management of the Company's funding structure and requirements;
- approval of the dividend policy; and
- approval of all investment decisions.

Board Meetings

The Board holds formal scheduled meetings at least six times a year and holds additional ad hoc meetings, as required. Such meetings are typically held at the Company's offices and are subject to a quorum of two Directors.

During the period ended 30 June 2015, there were 30 Board meetings and the attendance by the respective Directors is displayed in the table on page 38. The Company is currently in its growth phase and, therefore, a substantial number of ad hoc meetings, in addition to the regular meetings, were convened during the period ended 30 June 2015 to consider and implement the raising of equity funding as well as to consider investment opportunities.

At regular meetings, the Board follows a formal agenda, circulated by the Company Secretary in advance of the meeting. This agenda includes a review of the performance of the investments, an assessment of the progress of new investment opportunities, a review of Company strategy, a review of the historical financial performance of the Company together with future forecasting, an update on investor relations and of any regulatory or compliance issues as advised by the Company Secretary or other advisers. When considering investment opportunities, the Board reviews detailed investment proposals prepared by the Executive Directors and approves investment decisions, as appropriate.

Board Committees

The Board has delegated a number of its responsibilities through its Audit, Nominations and Remuneration Committees. Terms of reference for each of these committees are reviewed periodically by the Board as necessary but, in any event, are reviewed at least every two years and are available from the Company Secretary or on the Company's website.

Corporate Governance Statement continued

The Board, as a whole, reviews the continuing appointment of its service providers to ensure that terms remain competitive and in the best interests of shareholders.

Audit Committee

The Audit Committee comprises Stephen Alston, Alexandra Mackesy and Jim Prower who is Chairman and considered to have recent relevant financial experience. The Audit Committee meets at least twice a year and assists the Board in observing its responsibility for ensuring that the Company's financial systems provide accurate and up-to-date information on its financial position and that the published financial statements represent a true and fair reflection of this position. It also assists the Board in ensuring that appropriate accounting policies, internal financial controls and compliance procedures are in place. The Audit Committee receives regular financial information from the Chief Financial Officer and his team, along with reports from the external auditor as part of the half year review and full year audit, respectively. A separate report of the Audit Committee is included on pages 41 to 43 (inclusive).

Nominations Committee

The Nominations Committee comprises Stephen Alston, Paul Hadaway and Baroness Dean, who is its Chairman. The Nominations Committee's main function is to review the structure, size and composition of the Board and its committees regularly and to consider succession planning for the Directors. The Nominations Committee meets at least once a year. A separate report of the Nominations Committee is included on page 40.

Remuneration Committee

The Remuneration Committee comprises Baroness Dean, Jim Prower and Alexandra Mackesy, who is its Chairman. The Remuneration Committee's main function is to determine and agree the broad policy for remuneration of the Executive Directors, consider the achievement of the performance conditions under the annual and long-term incentive/bonus arrangements and consider any changes in employee benefit structures when determining executive remuneration. The Remuneration Committee also considers and recommends to the Board the content of the Directors' Remuneration Report. The Remuneration Committee meets at least once a year. A separate report of the Remuneration Committee, together with the Directors' Remuneration Report is included on pages 44 to 57 (inclusive).

Attendance at Board and Committee Meetings During the Period to 30 June 2015

The Board has a schedule of regular meetings together with further ad hoc meetings as required to deal with transactional business. The following table shows the Directors' attendance at Board and Board Committee meetings, where they were eligible to attend, during the year:

	Board Meetings Eligible to Attend	Board Meetings Attended	Audit Committee	Nominations Committee	Remuneration Committee
Meetings held	30		4	2	5
Baroness Dean (appointed 28 May 2014)	30	29	–	2	5
Paul Hadaway (appointed 11 February 2014)	29	28	–	2	–
Tim Attlee (appointed 11 February 2014)	29	27	–	–	–
Michael Enright (appointed 21 March 2014)	30	28	–	–	–
Jim Prower (appointed 28 May 2014)	30	27	4	–	5
Alexandra Mackesy (appointed 28 May 2014)	30	29	4	–	5
Stephen Alston (appointed 28 May 2014) ¹	27	24	4	2	–

¹ Stephen Alston was not eligible to attend a number of meetings as he was conflicted by virtue of being a partner of Real Estate Venture Capital Management LLP.

All Directors are expected to attend all meetings of the Board and of the Committees of which they are a member and to devote such time to the Company's affairs as is sufficient for them to fulfil their duties as Directors. Where Directors are unable to attend meetings, their comments will be given to the Chairman for reporting to the meeting.

For the period to 30 June 2015, the Company was in a growth phase and, therefore, a substantial number of ad hoc meetings, in addition to the minimum of six anticipated regular meetings, were convened during the period. The figures above exclude sub-committees of the Board which convened to transact business previously approved by the full Board.

The Nominations Committee is satisfied that all the Directors, including the Chairman, have sufficient time to meet their commitments to the Company.

Financial and Business Information

The Board is responsible for preparing the Annual Report and, as confirmed in the Directors' Responsibility statement, the Board believes that this Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary to assess the Group's performance.

Anti-bribery and Corruption

In considering The Bribery Act 2010, at the date of this report, the Board had conducted an assessment of the perceived risks to the Group arising from bribery and corruption to identify aspects of business which may be improved to mitigate such risks. The Board has adopted a zero tolerance policy towards bribery and has reiterated its commitment to carry out business fairly, honestly and openly.

Relations with Shareholders

The Board recognises the importance of maintaining strong relationships with shareholders and the Directors place a great deal of importance on communication. The Executive Directors, the Company's broker and the Company's joint financial adviser meet with shareholders and calls are undertaken on a regular basis. The Board also receives periodic feedback from its broker and joint financial adviser on shareholder issues. Shareholders are encouraged to attend and vote at general meetings of the Company in order that they may discuss governance and strategy and the Board is able to further understand shareholders issues and concerns. The Board makes itself available at general meetings of the Company to answer any questions posed by shareholders and the Chairman makes herself available, as necessary, outside of these meetings to speak to shareholders. The Senior Independent Director is an alternative contact for shareholders.

The Company ensures that any price sensitive information is released to all shareholders at the same time and in accordance with regulatory requirements. The Company's annual and half year results are dispatched to shareholders by mail and are also available to download from the Company website www.empiric.co.uk.

Corporate and Social Responsibility

Corporate and social responsibility is important to Empiric, and student customers are increasingly concerned about their environment. Empiric already practises good corporate citizenship in the design and standard of the buildings, and in terms of how and what it is developing. The Company is committed to completing a formal CSR policy over the next year.

Corporate Governance Statement continued

Brenda Dean
(The Rt Hon the Baroness Dean of Thornton-le-Fylde)
(Nominations Committee Chairman)



Effectiveness

Board Performance and Evaluation

As the Company is in its first period of operation, the Board has not yet carried out a review of its effectiveness. The Board intends to carry out its first annual review of effectiveness during the next financial year to consider the balance of skills, experience, independence and knowledge of the Company on the Board, its diversity and how the Board works together as a unit as well as other factors relevant to its effectiveness.

Development

The Board believes that the Directors should develop their skills and knowledge through participation at relevant courses and other positions held. The Chairman is responsible for reviewing and discussing the training and development of each Director according to identified needs. Upon appointment, all Directors participated in discussions with the Chairman and other Directors to understand their responsibilities, in addition to the Company's business and procedures. The Company also provides regular opportunities for the Non-Executive Directors to obtain a thorough understanding of the Company's business by regularly meeting the Executive Directors and the Company's senior management team and other service providers.

Nominations Committee Report

The Nominations Committee comprises Stephen Alston, Paul Hadaway and Baroness Dean who is its Chairman.

The Nominations Committee is responsible for the regular review of the structure, size and composition of the Board and it considers succession planning for Directors. When deemed necessary it is responsible for identifying and approving candidates to fill Board vacancies using external search consultants where appropriate.

Meetings and Activities During the Year

The Nominations Committee met twice during the year to consider the structure of the Board. No changes have been deemed necessary and the Board is considered to contain the appropriate levels of experience and knowledge for the Company.

Appointment Process

As no new Director has been appointed since the Company's launch and the Nominations Committee does not believe there is a gap that currently needs to be filled, no appointment process has been formalised. It is anticipated, however, that the process will involve identifying gaps and needs in the Board's composition and then reviewing the skill set of potential candidates. For the renewal of current appointments, all Directors except the individual in question are able to vote at the general meeting.

Board Diversity

The Nominations Committee considers that, together, the Directors have a balance of skills, qualifications and experience which are relevant to the Company. Further, two of the seven Directors, including the Chairman, are women. The Nominations Committee supports the recommendations of the Davies Report and believes in the value and importance of diversity in the boardroom but it does not consider it is appropriate or in the interest of the Company and its shareholders to set prescriptive targets for gender or nationality on the Board.

The Rt Hon the Baroness Dean of Thornton-le-Fylde
Nominations Committee Chairman

14 September 2015

Jim Prower ACA
(Audit Committee Chairman)



Accountability

Internal Controls Review

The Directors acknowledge that they are responsible for maintaining the Company's system of internal control and risk management in order to safeguard the assets of the Company. This system is designed to identify, manage and mitigate financial, operational and compliance risks inherent to the Company. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board has reviewed all financial performance and results notifications together with the Chief Financial Officer. Non-financial internal controls include the systems of operational and compliance controls maintained by the Company's administrator, FIM Capital Limited (the "Administrator", who also acts as Company Secretary), in relation to the Company's business as well as the management of the key risks referred to in the Directors' Report. The Company secretarial services have also been contractually delegated to the Administrator which has established its own systems of internal controls in relation to these matters, details of which have been reviewed by the Board as part of the Board's Financial Position and Prospects Procedures memorandum.

Internal Control Assessment Process

The Board regularly monitors the effectiveness and ensures the adequacy of internal controls; this includes a review of reports received from the external auditors. The Board will also conduct a formal risk assessment on an annual basis. In this regard the Board confirms that, in accordance with the AIC Code and Guide, they have established a continuing process for identifying, evaluating and managing the risks faced by the Company and have reviewed the effectiveness of the internal control systems.

AIFM Directive

During the relevant financial year, the Company applied to, and received authorisation from, the Financial Conduct Authority to act as its own full-scope AIFM with effect from 26 November 2014.

This document constitutes the Company's Annual Report for the purposes of Article 22 of the Alternative Investment Fund Managers Directive (2011/61/EU) (the "AIFM Directive"). The disclosures required by paragraphs 2(a) to (c) of Article 22 of the AIFM Directive are contained in the financial statements of the Company.

During the relevant financial period there have been no material changes to the information listed in Article 23 of the AIFM Directive which would require further disclosure to investors.

The total fixed remuneration paid to all members of the staff (including the Executive Directors) during the financial year was £1.5 million. The total variable remuneration accrued for all members of staff for the financial year was £0.8 million.

The Board considers that the only senior management and members of staff of the Company whose actions have a material impact on the risk profile of the Company are the Executive Directors. Details of the individual and aggregate amount of remuneration paid to the Executive Directors for the relevant financial year is disclosed in the Directors' Remuneration Report on pages 44 to 57 inclusive in accordance with paragraph 2(f) of Article 22 of the AIFM Directive.

Going Concern

The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Strategic Report. Detailed forecasts have been prepared and the Directors have considered the future cash requirements of the Group and concluded that has sufficient capacity to meet all its commitments. The Group secured two long-term loans during the year amounting to, in aggregate, £86.6 million of which £66.6 million had been drawn down at 30 June 2015. Santander has expressed its interest to provide further debt facilities to the Group in addition to the £18.7 million senior debt facility taken on with the acquisition of the Urban Sleep portfolio in June 2015. The Group was in full compliance with its covenants at 30 June 2015. Following the year end, the Group raised further equity of £75 million before issue costs. As a consequence, the Directors believe that the Company is well placed to manage its financing and other business risks. The Board is, therefore, of the opinion that the going concern basis adopted in the preparation of the Annual Report is appropriate.

Audit Committee Report

Composition of the Audit Committee

The Audit Committee comprises Stephen Alston, Alexandra Mackesy and Jim Prower who is its Chairman and who is considered to possess recent and relevant financial experience. Details of Jim Prower's experience can be found in his biography on page 33.

Activities of the Committee

The Audit Committee operates within defined terms of reference, a copy of which is available on request from the Company Secretary. The Audit Committee met four times during the period and these meetings were attended by committee members as well as the Chairman, the Chief Financial Officer and representatives of the Administrator and the Company's external auditor, who were invited to attend.

Corporate Governance Statement continued

During the period the work undertaken by the Audit Committee included the following:

- reviewed the internal controls and risk management systems, which were formalised in the Financial Position and Prospects Procedures memorandum which was approved by the Board at IPO;
- reviewed the historical financial information for the period to 31 July 2014 included in prospectus dated 30 October 2014;
- reviewed the financial information as at 31 December 2014 set out in the updated securities note (and summary) dated 25 February 2015;
- reviewed the financial information as at 31 May 2015 set out in the updated securities note (and summary) dated 8 July 2015;
- review of the interim and annual financial statements, including consideration of key accounting policies and areas of significant judgement, compliance with statutory obligations and accounting standards and consistency throughout the reports;
- reviewed the process undertaken to ensure that the Board is able to confirm that the annual financial statements are "fair, balanced and understandable"; and
- reviewed and approved the external auditors' terms of engagement, remuneration and tenure of appointment.

External Auditor and Other Services

During the period the Audit Committee has considered the appointment, compensation, performance and independence of the Company's external auditor, BDO LLP ("BDO").

BDO was appointed as part of the IPO following a formal tender process. During the year the Audit Committee has met with key members of the audit team and BDO has formally confirmed its independence as part of the annual reporting process. The Audit Committee regularly liaises with the lead audit partner to discuss any issues arising as part of the audit as well as its cost effectiveness.

The Audit Committee has developed the Company's policy on the engagement of the auditors to supply non-audit services and has sought to ensure that the provision of such services does not impair the independence and objectivity of the Company's external auditors. We have achieved this by considering the Financial Reporting Council's Ethical Standard Number 5 (revised). This relates to non-audit services provided to audited entities and sets out the six principal threats to objectivity and independence, for example, the auditors cannot act as management nor audit their own work. The Audit Committee recognises the importance of auditor objectivity and has reviewed the level of non-audit fees paid to BDO in the year of £272,350. It has reviewed the terms under which BDO is able to perform non-audit services and has acknowledged that corporate due diligence is provided by a separate team within BDO and is satisfied that the audit is an independent, objective and effective process.

This is something that will be kept under constant review, particularly at the time of new engagements, to make sure that non-audit service independence and objectivity is not impaired.

We acknowledge that, in some circumstances, the external auditors' understanding of the business can be beneficial in improving the efficiency and effectiveness of advisory work and, therefore, it has been considered that the external auditors be engaged to undertake such advisory work.

Significant expenditure that was authorised in the year is outlined below:

Work undertaken	Rationale for use of the external auditor	Fee (£)
Reporting accountant on the Company's IPO	One-off piece of work. Low risk of self-interest and self-review threat as the work is not used in the audit of the financial statements.	78,350
Reporting accountant on the Company's secondary offerings	Knowledge and understanding of the business and the requirements of the exercise having completed the Company's IPO. Low risk of self-interest and self-review threat as the work is not used in the audit of the financial statements.	194,000

The Audit Committee has recommended a resolution for the reappointment of BDO to be proposed to shareholders at the AGM.

Routine tax compliance and advisory services are provided by Ernst & Young.

Internal Audit

Due to its size, structure and the nature of its activities, the Audit Committee has concluded that an internal audit function is unnecessary. However, the need for this function will be considered annually and the Audit Committee will make recommendations to the Board in this regard.

Share Capital Structures

The share capital structure and restrictions are covered in detail in the Directors' Report on page 58.

Financial Reporting and Significant Judgements

The Audit Committee monitors the integrity of the financial information published in the half year and annual financial statements and considers the extent to which suitable accounting policies have been adopted, presented and disclosed. In assessing this, it considers whether management has made suitable and appropriate estimates and judgements, and seeks support from the external auditors to assess them.

Valuation of Property Portfolio

The Group has property assets of £251.3 million (including share of joint venture properties) as detailed on page 67 in the Consolidated Statement of Financial Position. As explained in Note 13, properties are independently valued by CBRE in accordance with IAS 40: Investment Property. The Audit Committee has reviewed the assumptions formed in respect of the property valuations and discussed these with management, and has concluded that the valuation is appropriate.

Valuation of Interest Rate Derivatives

The Group mitigates its exposure to interest rate risk by purchasing appropriate hedging instruments. The Group accounts for these instruments in accordance with IAS 39 and makes additional required disclosures under IFRS 7 Financial Instruments Disclosures. The valuations are provided by an independent financial risk management consultancy, JC Rathbone Associates Limited. These valuations have been reviewed and approved by the Board.

Revenue Recognition

Revenue is principally represented by rental income arising from operating leases on investment property recognised on a straight-line basis. Any increases in rent following rent reviews are recognised as and when the rent reviews are settled.

The revenue arises from bookings by customers taken by our property management partners ("PMs") which they convert into binding tenancies and collect and account for the rents due for each letting. Each PM reports to the Group on a monthly basis for all commercial and financial matters relating to the property and individual tenancies. The Group reviews all the key service and performance level data

received with each PM each month to facilitate effective accounting and control for the Group. The Audit Committee has reviewed the basis of the revenue recognition reported to the Board and concluded that it is appropriate.

The returns generated by forward funded development agreements are not recognised as revenue but instead accounted for as a reduction in the acquisition cost of the asset.

Conclusions in Respect of the Company's Annual Report

The production and the audit of the Company's Annual Report is a comprehensive process requiring input from several different contributors. In order to reach a conclusion on whether the Company's financial statements are fair, balanced and understandable, as required under the UK Corporate Governance Code, the Board has requested that the Audit Committee advise on whether it considers that the Annual Report fulfils these requirements. In outlining its advice, the Audit Committee has considered the following:

- the comprehensive documentation that is in place outlining the controls in place for the production of the Annual Report, including the verification processes in place to confirm the factual content; and
- the detailed reviews undertaken at various stages of the production process by the Chief Financial Officer, joint financial advisers, auditors and the Audit Committee that are intended to ensure consistency and overall balance.

As a result of the work performed, the Audit Committee has concluded and reported to the Board that the Annual Report for the period ended 30 June 2015, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. The Board's conclusions in this respect are set out in the Statement of Directors' Responsibilities on page 61.



Jim Prower
Audit Committee Chairman

14 September 2015

Directors' Remuneration Report

Alexandra Mackesy
(Remuneration Committee Chairman)



Statement from the Chairman of the Remuneration Committee

What is Included in this Report

Our first Directors' Remuneration Report since our IPO in June 2014 is presented here. It is set out in two sections in line with legislative reporting regulations:

- **Directors' Remuneration Policy Report** – This sets out our Remuneration Policy for Directors of the Group for the future and will be subject to a binding shareholder vote for the first time at our 2015 AGM.
- **Annual Report on Directors' Remuneration** – This sets out how our Directors were paid for the period ended 30 June 2015 and how we intend to apply our Policy for the year ending 30 June 2016. There will be an advisory shareholder vote on this section of the Report at our 2015 AGM.

Our Approach to Remuneration is Aligned with our Growth Strategy

Ahead of the IPO last year, the Company introduced a remuneration framework to ensure that remuneration was aligned with best market practice whilst attracting and securing the right people to deliver our investment objectives. The result was a simple and transparent performance-oriented framework, designed to ensure alignment with both our early stage of growth and the interests of our shareholders. Performance-related variable pay based on the achievement of stretching short-term and medium-term targets, forms a significant part of potential pay packages.

Reflecting the size of the business in June 2014 as a newly listed company, salaries were set at the lower end of the range of market practice when compared to listed peers and other companies of similar size. In setting salaries and the level of the overall remuneration package at the time of listing, we did not anticipate the growth potential of the business. We expect that we will make adjustments to the levels of overall remuneration packages of the Executives as our ambitions for the business are achieved.

A portion of the remuneration packages for our Executive Directors is linked to the medium-term performance of the Company, incorporating key performance indicators including dividend payments and increases in shareholder value.

Our Remuneration Framework

The pay arrangements for our Executive Directors include the following best practice elements:

Annual and Deferred Annual Bonus

Our Executive Directors are able to earn an annual bonus each year based on the performance of the business;

- There is a cap on the bonus that can be earned for the year ended 30 June 2016 of 110% of base salary.
- At least 40% of the annual bonus earned for a year must be deferred and paid in Empiric Student Property shares, which will be released three years later.

Long Term Incentive Plan ("LTIP")

Executive Directors will receive regular annual awards of shares under the LTIP;

- The maximum LTIP award which can be made for each year is 150% of base salary.
- Vesting of these shares will be subject to the achievement of challenging performance tests.
- Performance will be measured over a three year performance period.

Malus and Clawback

- In line with the requirements of the current UK Corporate Governance Code, under the Directors' Remuneration Policy, the Remuneration Committee will have the ability to operate malus (withholding) and/or clawback (recovery) on variable remuneration in certain limited exceptional circumstances. This will apply to annual bonuses, deferred annual bonuses and LTIP awards for the year ended 30 June 2016, subject to the approval of our Directors' Remuneration Policy at our 2015 AGM.

Remuneration for the Year Ended 30 June 2015

Annual and Deferred Annual Bonuses Awarded in Respect of 2015 Performance

As outlined earlier in the Annual Report, Empiric has made significant progress since its IPO in June 2014. Despite the fundraising on IPO of £85 million (gross) being lower than expected, the Company paid quarterly dividends totalling 4 pence per share during the year. It raised a further £150 million in two subsequent fund raisings during the period, acquired 40 properties, and increased its market capitalisation to approximately £253 million as of 30 June 2015. The net issue proceeds raised on the IPO were fully invested by 31 January 2015. On the basis of the performance delivered in the period to 30 June 2015, the Committee determined that maximum annual bonuses should be awarded to the three Executive Directors. 60% of the annual bonuses earned will be paid in cash and the remaining 40% will be deferred and paid in shares in three years' time, in 2018. Full details of these awards are provided on page 54.

LTIP Awards

In June 2014, the three Executive Directors were granted LTIP awards that, subject to satisfaction of the Performance Condition and the LTIP rules, will vest after 30 June 2017. The vesting of the LTIP awards made in 2014 is subject to the Company meeting challenging total shareholder target returns measured over the three year period to 30 June 2017. There are further details of these LTIP awards on page 55.

Remuneration for the Period Ending 30 June 2016

In our first year of operation, the Committee's approach was cautious and to assess how the Company progressed as a new publicly traded company. Given the growth in the size of the business, the Remuneration Committee has determined that the Executive Directors' basic salaries should be increased to bring them closer to market levels. An indication of the very rapid growth in the size of the business in the year ended 30 June 2015 is that the market capitalisation of the business has grown from £85 million to circa. £253 million, an increase of 196%. Accordingly, salaries for the CEO and the CIO have been increased by 30% to £325,000 per annum and the CFO's base salary has also been increased by 30% to £260,000 per annum. These increases were effective from 1 July 2015. It should be stressed that the Remuneration Committee remains mindful of the need to pay no more than is necessary, but it understands the need to attract and retain high-quality talent if the Company is to meet and exceed its stated investment objectives.

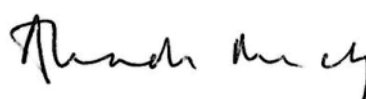
Employee Share Option Plan

Empiric's staff are vital to the success of the Company, and we are keen to encourage them to participate in growing value for our shareholders over the longer term. At our forthcoming AGM, we shall be seeking shareholder approval for an Employee Share Option Plan, which will enable the grant of market priced share options which to the extent possible will be granted under an HMRC approved Company Share Option Plan ("CSOP"). We currently do not have any intention to grant share options under this plan to Executive Directors.

Future Changes

As the Company has grown more quickly than anticipated at the time of the IPO, Empiric will be undertaking a key strategic business review shortly. As part of this process, the Remuneration Committee intends to review the current remuneration framework to ensure that the Company will continue to incentivise and reward the Executive Directors appropriately to achieve the business objectives of the Company, and to continue to enhance Shareholder value in the longer term. This may require us to seek shareholder approval for a revised Remuneration Policy later in the year.

We value all feedback from shareholders and hope to receive your support at the forthcoming AGM.



Alexandra Mackesy

Chairman of the Remuneration Committee

14 September 2015

Directors' Remuneration Report continued

Policy Report (Non-audited)

This part of the Report sets out our Directors' Remuneration Policy, which will be subject to a binding shareholder vote at the 2015 AGM. This Policy will come into legal effect from the date of the AGM. Information provided in this section of the Remuneration Report is not subject to audit.

Policy Table for Executive Directors

Component	Purpose and link to strategy	Operation	Maximum	Performance framework
Fixed Pay				
Base salary	Core element of remuneration set at a level to attract and retain Executive Directors of the required calibre to deliver the Company's investment objectives successfully.	<p>Fixed cash paid monthly.</p> <p>Generally reviewed annually.</p> <p>The review takes into consideration a number of factors, including but not limited to:</p> <ul style="list-style-type: none"> • The individual Director's role, experience and performance. • Business performance. • Relevant data on remuneration levels paid to comparable roles. • Pay and conditions elsewhere in the Company. 	<p>To avoid setting the expectations of Executive Directors and other employees, there is no overall maximum salary for Executive Directors under the remuneration policy.</p> <p>Any increase in salaries will be determined by the Committee, taking into account the factors stated in this table and the following principles:</p> <ul style="list-style-type: none"> • Salary increases for Executive Directors will typically be in line with the average salary increase (in percentage of salary terms) for other permanent employees. • Increases may be made above this in certain circumstances, such as: <ul style="list-style-type: none"> • Progression within the role; • Increase in scope and responsibility of the role; • Increase in experience where an individual has been recruited on a lower salary initially; and • Increase in size and complexity of the Company. 	None.
Benefits	To provide market competitive benefits.	<p>Benefits are role specific and take into account local market practice.</p> <p>Benefits currently include (but are not limited to) reimbursed travel expenses, medical insurance, disability and life insurance and a car allowance.</p>	There is no overall maximum level, but benefits are set at an appropriate level for the specific nature of the role and depend on the annual cost of providing individual benefits.	None.

Component	Purpose and link to strategy	Operation	Maximum	Performance framework
Pension	To provide market competitive retirement benefits.	The Company either contributes to the Directors' personal pension arrangements or direct to their pension plans. Alternatively, Directors may receive a cash allowance in lieu of pension.	Executive Directors receive a contribution of up to 15% of basic salary to a pension plan and/or as a cash allowance in lieu of pension.	None.

Variable remuneration

Annual and deferred annual bonus	To link reward to the achievement of key business objectives for the year.	The Executive Directors are participants in the annual bonus plan which is reviewed annually to ensure bonus opportunity, performance measures and targets and objectives are appropriate and support the business strategy.	The maximum annual bonus opportunity is 150% of base salary per annum.	The bonus is based on performance assessed over one year using appropriate financial and strategic performance measures. The selected measures for the next financial year are set out in the Annual Report in the Remuneration section of this Remuneration Report.
	To provide additional alignment with shareholders' interests through the operation of bonus deferral.	<p>The Committee will determine the level of bonus to be awarded, taking into account the extent to which the targets have been met and overall business and personal performance.</p> <p>Up to 60% of an Executive Director's annual bonus will be paid in cash following the release of the audited results of the business.</p> <p>At least 40% of any bonus is deferred into an award over Company shares issued as a nil cost option pursuant to the terms of the LTIP, which will usually be deferred for three years.</p> <p>Dividend equivalents will be paid in cash or additional shares when the deferred shares are released.</p>	<p>Each year the Remuneration Committee will determine the maximum annual bonus opportunity for each individual Executive Director within this limit.</p> <p>The current maximum bonus that may be earned for the year ended 30 June 2016 is 110% of base salary.</p>	

Directors' Remuneration Report continued

Component	Purpose and link to strategy	Operation	Maximum	Performance framework
LTIP	To link reward for the Executive Directors to the achievement of long-term performance objectives of the Company which are aligned to the strategic goals and to retain executives.	<p>Awards under the LTIP will usually be made in the form of a contingent award of shares or grant of nil cost options or nominal value options.</p> <p>Vesting of the award is dependent on the achievement of performance targets, typically measured over a three-year period.</p> <p>Dividend equivalents will be paid in cash or additional shares when the LTIP awards are released.</p>	The maximum LTIP award that may be made is up to 150% of base salary per annum as provided for in plan rules, but for the avoidance of doubt this excludes any nil cost options issued pursuant to an award under the annual bonus scheme.	<p>Vesting of LTIP awards is dependent on the achievement of performance measures determined by the Committee ahead of each award. These details are disclosed in the Annual Report in the Remuneration section of this Remuneration Report.</p> <p>Performance will usually be measured over a three year performance period. For achieving a "threshold" level of performance against a performance measure, no more than 25% of the award will vest. Vesting then increases on a sliding scale to 100% for achieving a stretching maximum performance target.</p>
Employee Share Option Plan	To reward employees for the delivery of long-term shareholder value.	The ESOP permits the grant of share options with an exercise price of not less than the market value of a share (as determined by the Committee) at the time of grant.	Share options may be granted under an HMRC approved Company Share Option Plan to the extent possible.	If ESOP awards were, in exceptional circumstances, granted to an Executive Director they would be subject to an appropriate performance condition as determined by the Committee.
Executive Directors will only be granted share options under the ESOP in exceptional circumstances		Options will usually be exercisable between three and ten years following the grant.		
All-employee share plans	To reward employees for the delivery of long-term shareholder value.	Executive Directors may participate on the same basis as other employees.	Participants may contribute up to the relevant limits set out in the plan.	None.

Notes to the Directors' Remuneration Policy Table on Pages 46 to 48

Malus and Clawback

Malus and clawback may be applied by the Remuneration Committee to any variable remuneration awarded to an Executive Director following the approval by shareholders of the Remuneration Policy. Potential circumstances in which the Remuneration Committee could choose to apply malus and clawback are following a restatement of results, censure by a regulatory authority, any other circumstances where the Board considers that the reputation of the company has been materially damaged or any other reason (including poor performance or misconduct on the part of the participant) that the Board considers appropriate.

Clawback may be applied to a cash bonus up to three years from the determination of the bonus and malus and clawback may be applied to a deferred annual bonus or LTIP award up to three years and five years respectively from the date of their award.

Legacy Awards

The Remuneration Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) that are not in line with the Remuneration Policy set out above where the terms of the payment were agreed:

- i) Before the Remuneration Policy came into effect; or
- ii) At a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company.

For these purposes "payments" includes the Remuneration Committee satisfying awards of variable remuneration and an award over shares is "agreed" at the time the award is granted.

The Remuneration Committee will operate the annual bonus and LTIP in accordance with the relevant plan rules.

Discretions

The Remuneration Committee retains discretion as to the operation and administration of these plans as follows:

Annual and Deferred Annual Bonus

The Remuneration Committee may settle an award in shares; and the Remuneration Committee may amend the performance targets applying to an award in exceptional circumstances if the new performance targets are considered fair and reasonable and are neither materially more nor materially less challenging than the original performance targets.

LTIP

The Remuneration Committee may amend the performance conditions applying to an award in exceptional circumstances if the new performance conditions are considered fair and reasonable and are neither materially more nor materially less challenging than the original performance conditions; and in the event of a variation of share capital, demerger, special dividend, distribution or any

other corporate event which may affect the current or future value of an award, the Remuneration Committee may adjust the number of shares or the option price.

Any use of the above discretions would, where relevant, be explained in the Annual Report on Remuneration and may, as appropriate, be the subject of consultation with the Company's major Shareholders.

Takeover or Other Corporate Event

Awards will generally vest early on a takeover, merger or other corporate event to the extent that any performance condition is then satisfied. When an award vests in these circumstances, the number of shares in respect of which it vests will, unless the Remuneration Committee decides otherwise, be reduced to reflect the fact that it is vesting early. Alternatively, participants may be allowed or required to exchange their awards over shares in the acquiring company.

The Remuneration Committee has the discretion to take other action as appropriate if other events occur which may have an effect on awards.

In the event that all-employee plans are operated, they would be expected to vest on a takeover or other corporate event and those which have to meet requirements to benefit from tax benefits would vest in accordance with those requirements.

Minor Changes

The Remuneration Committee may make minor amendments to the Remuneration Policy set out above (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining Shareholder approval for that amendment.

Performance Measures and Target Setting

The annual and deferred annual bonus is based on financial performance measures which are aligned with the Company's annual strategic plan.

The LTIP is based on measures chosen to motivate and reward Directors for the successful achievement of long-term sustainable performance and to ensure maximum alignment with shareholders.

Targets for both incentive plans are set on an annual basis by the Remuneration Committee and take into account a number of reference points.

Remuneration Arrangements Throughout the Company

There are differences in the components of total remuneration packages for the Executive Directors and other employees generally. This reflects differences in market practice taking into account roles and seniority. The remuneration policies for Executive Directors and other senior executives are generally consistent in terms of structure and the approach to rewarding performance used. In particular we place emphasis throughout the business on reward being linked to performance and on encouraging share ownership.

Directors' Remuneration Report continued

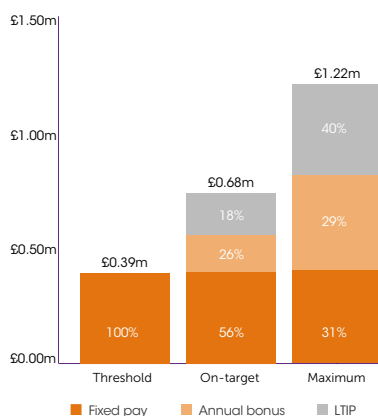
Policy Table for Non-Executive Directors

Purpose and link to strategy	Operation	Opportunity
To attract and retain Non-Executive Directors of the required calibre by offering market competitive fees.	<p>The Chairman of the Board receives an all-inclusive fee. Non-Executive Directors receive a basic Board fee.</p> <p>Additional fees may be payable for additional Board responsibilities such as acting as the Senior Independent Director, chairmanship or membership of a Board Committee.</p> <p>The Committee reviews the fees paid to the Chairman and the Board reviews the fees paid to the Non-Executive Directors periodically.</p> <p>Additional fees may be paid to Non-Executive Directors on a per diem basis to reflect increased time commitment in certain limited circumstances.</p> <p>Expenses incurred in the performance of non-executive duties for the Company may be reimbursed or paid directly by the Company, as appropriate, including any tax and social security contributions due on the expenses.</p> <p>Non-Executive Directors may be provided with benefits to enable them to undertake their duties.</p>	<p>Fees are set at an appropriate level that is market competitive and reflective of the responsibilities and time commitment associated with specific roles.</p> <p>The total aggregate fees payable to the Chairman and Non-Executive Directors will not exceed the limit stated in the Company's Articles of Association.</p>

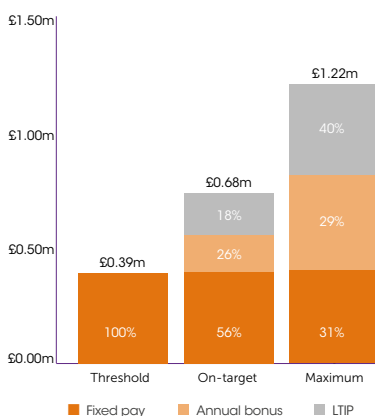
Illustrations of Applications of Remuneration Policy

The charts below illustrate the application of the Remuneration Policy set out in the policy table for the Executive Directors and the potential split between the different elements of remuneration under three different performance scenarios: "Threshold", "On-target" and "Maximum".

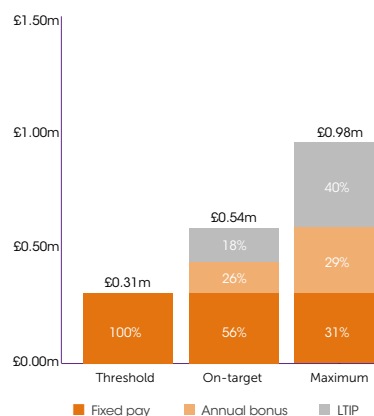
Chief Executive Officer



Chief Investment Officer



Chief Financial Officer



The assumptions used for these charts are as follows:

Component		"Threshold"	"Target"	"Maximum"
Fixed remuneration	Base salary	Annual base salary with effect from 1 July 2015		
	Pension	15% of base salary		
	Benefits	Annualised taxable value of annual benefits provided in the period ended 30 June 2015		
Annual and deferred bonus	Maximum opportunity	110% of salary for CEO, CIO and CFO		
	Vesting	0% of maximum opportunity	50% of maximum opportunity	100% of maximum opportunity
LTIP ¹	Maximum opportunity	150% of salary for CEO, CIO and CFO		
	Vesting	0% vesting	25% vesting	100% of vesting

1 LTIP awards have been shown at face value with no share price growth, dividends or discount rate assumptions.

Approach to Recruitment Remuneration

In determining remuneration arrangements for new appointments to the Board (including internal promotions), the Committee applies the following principles:

- The Committee considers all relevant factors, including the calibre and experience of the individual, the market from which they are recruited and existing arrangements for other Executive Directors, with a view that any arrangements should be in the best interests of the Company and our Shareholders, without paying more than is necessary.
- Typically, the new appointment will have (or be transitioned onto) the same package structure as the other Executive Directors, in line with the Policy Table presented above.
- The maximum variable pay opportunity in respect of recruitment (excluding buy-outs) comprises a maximum annual bonus of 150% of annual salary and a maximum LTIP award of 150% of base salary, as stated in the policy table above. The Committee retains the flexibility to determine that for the first year after appointment any annual incentive award within this maximum will be subject to such terms as it may determine.
- Where an Executive Director is appointed from within the organisation, the normal policy of the Company is that any legacy arrangements would be honoured in line with the original terms and conditions. Similarly, if an Executive Director is appointed following the Company's acquisition of, or merger with, another company or business, legacy terms and conditions would be honoured.
- Upon appointment, the Committee may consider it appropriate to offer additional remuneration arrangements in order to secure the appointment. In particular, the Committee may consider it appropriate to

"buy out" terms or remuneration arrangements forfeited on leaving a previous employer. The overriding principle would be that the value of any replacement buy-out awards should be no more than the commercial value of awards which have been forfeited. The form of any award would be determined at the time and the Committee may make buy-out awards under LR 9.4.2 of the Listing Rules.

- The Committee may provide costs and support if the recruitment requires relocation of the individual.
- The Committee retains discretion to make appropriate remuneration decisions outside the standard Remuneration Policy to meet the individual circumstances of recruitment when:
 - An interim appointment is made to fill an Executive Director role on a short-term basis; and
 - Exceptional circumstances require that the Chairman or a Non-Executive Director takes on an executive function on a short-term basis.

Recruitment of Chairman and Non-Executive Directors

On the appointment of a new Chairman or Non-Executive Director, the fee will normally be consistent with the Remuneration Policy set out above. Where specific cash or share arrangements are delivered to the Chairman or Non-Executives, these will not include share options or any other performance related elements.

Service Contracts

Key terms of the current Executive Directors' service agreements and Non-Executive Directors' letters of appointment are summarised in the table below. It is envisaged that any future appointments would have equivalent contractual arrangements unless otherwise stated in this Remuneration Policy Report.

Directors' Remuneration Report continued

Provision	Policy
Notice period	Executive Directors – 12 months' notice by either the Company or the Executive Director. Non-Executive Directors – no notice period by either the Company or the Non-Executive Director.
Termination payment	Executive Directors – None Non-Executive Directors – None
Expiry date	Executive Directors – None

Each Director will retire and put themselves forward for re-election at the first Annual General Meeting of the Company.

All Executive Directors' service agreements and Non-Executive Directors' letters of appointment are available for inspection at the Company's registered office at 6-8 James Street, London W1U 1ED.

Policy on Payment for Loss of Office

Where an Executive Director leaves employment, the Remuneration Committee's approach to determining any payment for loss of office will normally be based on the following principles:

- The Remuneration Committee's objective is to find an outcome which is in the best interests of both the Company and its Shareholders while taking into account the specific circumstances of cessation of employment.
- The Remuneration Committee must satisfy any contractual obligations agreed with the Executive Director. This is dependent on the contractual obligations not being in contradiction with the Policy set out in this Report.
- Any termination payment would be subject to negotiation although would not be expected in normal circumstances to exceed salary, pension and benefits in relation to the individual's outstanding notice period. Benefits may include certain one-off benefits provided in connection with termination, such as legal costs, outplacement support and the costs of meeting any settlement agreement.

The treatment of outstanding incentive awards will be governed by the relevant plan rules as set out in the table below:

Plan	Automatic Good Leaver categories	Treatment for Good Leavers	Treatment for all other reasons for leaving
Annual bonus	Death, ill-health, injury or disability, redundancy, transfer of employing company or business to which an individual's employment relates out of the Group, transfer of undertaking, any other reason, except summary dismissal, as the Remuneration Committee determines	<p>The participant will normally retain their entitlement to the bonus to the extent that the performance targets have been met.</p> <p>Bonuses will normally be subject to time pro-rating to reflect the period in employment, although the Remuneration Committee has the discretion to vary this.</p> <p>The Remuneration Committee may determine that the bonus payment is calculated and made, at their discretion, at cessation instead of at the end of the performance period.</p>	All other leavers will forfeit their entitlement to an annual bonus payment.

Plan	Automatic Good Leaver categories	Treatment for Good Leavers	Treatment for all other reasons for leaving
Deferred Annual Bonus	Death, ill-health, injury or disability, redundancy, transfer of employing company or business to which an individual's employment relates out of the Group, transfer of undertaking, any other reason, except summary dismissal, as the Remuneration Committee determines.	The participant will normally retain their entitlement to receive their Deferred Annual Bonus, which will vest on the normal vesting date. In the event of death or special circumstances, at the Remuneration Committee's discretion, awards may vest early in either part or in full.	All other leavers will forfeit their entitlement to receive any further vesting of Deferred Annual Bonus awards.
LTIP	Death, ill-health, injury or disability, redundancy, transfer of employing company or business to which an individual's employment relates out of the Group, transfer of undertaking, any other reason, except summary dismissal, as the Committee determines.	Awards will normally vest on a time-apportioned basis on the normal vesting date subject to any relevant performance condition(s) measured over the relevant performance period. In the event of death, or special circumstances at the Remuneration Committee's discretion, awards may vest early based on the Committee's determination of the extent to which any relevant performance conditions are satisfied. The Committee has the discretion, acting fairly and reasonable, to disapply time apportionment.	Awards lapse (unless otherwise determined by the Committee).

Consideration of Employment Conditions Elsewhere in the Group

The Committee does not formally consult with employees as part of its process when determining Executive Director pay. The Committee is kept informed of general decisions made in relation to employee pay and related issues and is conscious of the importance of ensuring that its pay decisions for Executive Directors are regarded as fair and reasonable within the business. As outlined in the policy table, pay and conditions in the Company are one of the considerations taken into account when the Committee is determining salary levels for the Executive Directors.

Consideration of Shareholders' Views

The Committee takes an active interest in Shareholders' views and regards these as one of the considerations when shaping the structure of the Directors' remuneration arrangements. The Committee monitors published Shareholder guidelines and will incorporate further best practice features wherever appropriate.

Annual Report on Remuneration

Audited Information

The Annual Report on Remuneration will be subject to an advisory shareholder vote at the 2015 Annual General Meeting.

The information provided in this section of the Remuneration Report up until the "Unaudited information" heading on page 56 is subject to audit.

Directors' Remuneration Report continued

Single Total Figure of Remuneration

The following table sets out the total remuneration for Executive Directors and Non-Executive Directors for the period ended 30 June 2015. As the Company listed on 30 June 2014, there is no disclosure in this Report of prior period information.

	Salary and fees £	Benefits £	Annual bonus £	Long-term incentives £	Pension £	Total £
Executive Directors						
Paul Hadaway	250,000	13,763	275,000	–	37,500	567,263
Tim Attlee	250,000	13,763	275,000	–	37,500	567,263
Michael Enright	181,250	12,705	199,375	–	27,188	420,518
Non-Executive Directors						
Brenda Dean	67,000	Not applicable	Not applicable	Not applicable	Not applicable	67,000
Jim Prower	45,000	Not applicable	Not applicable	Not applicable	Not applicable	45,000
Alexandra Mackesy	40,000	Not applicable	Not applicable	Not applicable	Not applicable	40,000
Stephen Alston	–	Not applicable	Not applicable	Not applicable	Not applicable	–

Notes to the table – methodology

Salary and fees – This represents the cash paid or receivable in respect of the period ended 30 June 2015. Michael Enright's annualised full-time equivalent salary throughout the year was £200,000, however, for the period between July and September 2014, his role was not full-time and accordingly he received a pro-rated 62.5% of the full-time equivalent salary for that period.

Benefits – This represents the taxable value of all benefits paid or receivable in respect of the period ended 30 June 2015. Executive Directors receive a standard benefits package including medical insurance, life insurance, and a £10,000 per annum car allowance.

Annual bonus – Bonus payable for the period ended 30 June 2015, whether payable in cash or as a Deferred Annual Bonus.

Long-term incentive – This column relates to the value of long-term awards whose performance period ends in the period under review. The first long-term incentive award was granted in 2014 and has a performance period that ends in 2017. As a result, this column has a zero figure in the table above.

Pension – Executive Directors receive a Company contribution worth 15% of base salary; the Executive Directors have elected to receive a cash allowance in lieu of pension.

Additional Disclosures in Respect of the Single Figure Table

Annual Bonus

The Executive Directors are participants in the annual bonus scheme. The table below sets out the annual bonus awards made to the Executive Directors in respect of the period ended 30 June 2015.

	2015 bonus paid in cash	2015 bonus to be awarded in deferred shares ¹	Total 2015 bonus
Executive Directors			
Paul Hadaway	£165,000	£110,000	£275,000
Tim Attlee	£165,000	£110,000	£275,000
Michael Enright	£119,625	£79,750	£199,375

¹ The issue of shares will be deferred for three years.

These payments were determined by the Remuneration Committee, having taken account of:

- The successful investment of the IPO proceeds well before the stipulated date of 31 January 2015.
- The payment of quarterly dividends in the period ended 30 June 2015 totalling 4 pence per share.
- Following its IPO in June 2014, the Company carried out two further equity fundraisings, resulting in gross equity proceeds (including the IPO) of over £235 million, and agreed approximately £115.3 million in debt financing.
- The Company successfully deployed these funds into acquiring a portfolio of 40 student properties (total student beds: 3,503 as at June 2015).

Scheme Interests Awarded During the Financial Year

Long-Term Incentive Plan Awards

Long-term incentive plan awards are granted over the Company's shares with the number of shares under award determined by reference to a percentage of base salary. Vesting of the awards is conditional upon satisfaction of performance conditions and is usually also conditional upon continued employment until the awards vest.

An initial award was granted under the LTIP awards to the Executive Directors on 13 June 2014. This award is subject to the performance conditions described below and will vest after 30 June 2017.

The following table provides details of the awards made under the LTIP on 13 June 2014:

Type of award		Maximum number of shares	Face value £	Face value % of salary	Threshold vesting % of award	End of performance period
Executive Directors						
Paul Hadaway	LTIP	375,000	375,000	150	25	30 June 2017
Tim Attlee	LTIP	375,000	375,000	150	25	30 June 2017
Michael Enright†	LTIP	187,500	187,500	150	25	30 June 2017

¹ At the time of the award, Michael Enright's role was not full-time and his salary was accordingly being pro-rated to reflect his part-time status. Michael Enright's LTIP award in 2014 was based on 150% of his pro-rated salary at the date of award.

As disclosed in the IPO prospectus, the maximum number of shares awarded has been calculated using the IPO offer price of 100 pence.

Vesting of the 2014 LTIP awards is subject to a performance condition based on total shareholder return ("TSR" – combined share price growth and dividends) measured over a three year performance period. The original targets for this performance condition, as disclosed in the IPO Prospectus, were set by the Remuneration Committee on the basis that there would be a single fund-raising at IPO, with no anticipation of further regular fund raisings being undertaken by the Company following soon after the IPO. The investment model of the business is that funds are raised, that are then invested in assets in order to generate a return. In light of the pattern of substantial fund raisings that have been carried out by the Company since IPO, the basis for setting these targets has been amended by the Remuneration Committee, acting fairly and reasonably and in compliance with the LTIP rules, in order to ensure that the amended targets, in its opinion, will not be materially more or less difficult to satisfy than the original targets would have been had the post-IPO fund raisings not occurred.

The amended basis to be used for determining TSR targets for the 2014 LTIP awards is that the "threshold" and "maximum" annualised TSR targets will be calculated on a blended basis that is determined by the pro-rata weighting of the number of the Company's shares in issue during the performance period:

- i For the first 12 months following a fund raising, the "threshold" and "maximum" annualised TSR targets that will apply for shares issued in relation to that fund raising will be 5% and 7.5% respectively.
- ii Subsequent to the first 12 months following a fund raising, the "threshold" and "maximum" annualised TSR targets that will apply for shares issued in relation to that fund raising will be 10% and 15% respectively.

The length of the performance period and levels of vesting for threshold and maximum performance will remain unchanged. Under this methodology, the final "threshold" and "maximum" annualised TSR targets applying to the 2014 LTIP awards will be dependent upon the pattern of fund raising that occurs throughout the three year performance period. Therefore, the first Remuneration Report published following the end of the performance period will contain details of the final "threshold" and "maximum" annualised TSR targets and an explanation of how they have been calculated.

Payments to Past Directors

There were no payments to past directors during the period ended 30 June 2015.

Payments for Loss of Office

There were no payments for loss of office to Directors during the period ended 30 June 2015.

Directors' Remuneration Report continued

Statement of Directors' Shareholdings and Share Interests

The tables below show the Directors' current share ownership as at 30 June 2015

Executive Director	LTIP amount granted	Actual share ownership number of shares	Percentage of issued share capital %
Brenda Dean	–	33,500	0.01
Paul Hadaway	375,000	1,000,001	0.43
Tim Attlee	375,000	875,000	0.38
Michael Enright	187,500	645,000	0.28
Jim Prower	–	23,760	0.01
Alexandra Mackesy	–	–	–
Stephen Alston	–	17,250	0.01

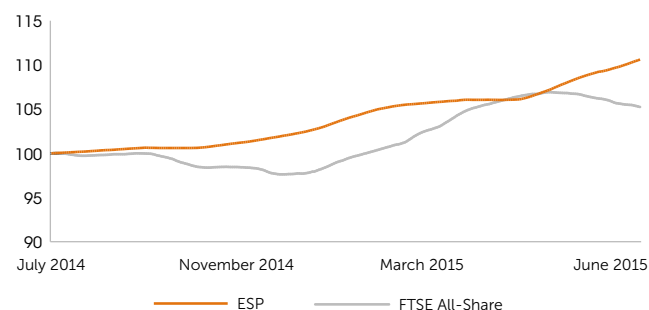
Unaudited Information

The information provided in this section of the Remuneration Report is not subject to audit.

Performance Graph and CEO Remuneration Table

The chart below compares the TSR performance of the Company during the period ended 30 June 2015 to the FTSE All Share Index. This index has been chosen because it is a recognised equity market index of which the Company is a member. The base point in the chart for the Company equates to the IPO price of 100 pence.

Total Shareholder Return v the FTSE All Share Index



Chief Executive Officer Remuneration Outcomes

The table below shows the total remuneration payable to the CEO for the year ended 30 June 2015 as a percentage of the maximum opportunity.

Year ended 30 June 2015	
CEO single figure of remuneration	576,263
Annual bonus payout (% of maximum)	100%
LTIP vesting	n/a

Percentage Change in Remuneration of the CEO

As the Company's IPO was in June 2014, there is no disclosure in this report of the comparison of changes in the level of CEO remuneration and of employee remuneration between the period ending 30 June 2015 and the previous period.

Relative Importance of the Spend on Pay

The Company paid total dividends of £4.6 million in the period ended 30 June 2015. The Company did not undertake a share buy-back programme. Total staff costs were £2.3 million, details of which are provided in Note 6 to the Group accounts (page 78).

Implementation of the Remuneration Policy in the Period Ended 30 June 2016

This section provides an overview of how the Committee is proposing to implement the Remuneration Policy in the period ended 30 June 2016.

Base Salary

As described in the Committee Chairman's Annual Statement, the Committee reviewed the Executive Directors' base salaries in July 2015 against other comparable listed companies. The results of that review are set out below.

Executive Director	As at 30 June 2015	From 1 July 2015	Percentage increase
Paul Hadaway	£250,000	£325,000	30%
Tim Attlee	£250,000	£325,000	30%
Michael Enright ¹	£200,000	£260,000	30%

¹ Michael Enright's role initially was not full time; he transitioned to full time employment from 1 October 2014 as a result of the Company's rapid development.

Pension and Benefits

For the year ended 30 June 2016, Executive Directors will be provided with a standard benefits package including medical insurance, life insurance and a £10,000 per annum car allowance. The pension provision for the year ending 30 June 2016 will remain at 15% of salary.

Annual and Deferred Annual Bonus

For the year ending 30 June 2016, 50% of the bonus opportunity will be determined by dividend growth, whilst the remaining 50% will be determined by the net asset ("NAV") growth of the Company's development assets. The maximum payout under the annual bonus scheme will remain at 110% of annual salary, with at least 40% of any bonus satisfied by the issue of nil cost options, which will be deferred for three years.

LTIP

The Committee intends to make an award under the LTIP in September 2015. It is intended that awards to the Executive Directors will be over shares worth 150% of salary. Exercisability of awards will be determined by the Company’s TSR performance measured over the three year period to 30 June 2018. TSR targets will be calculated using the same methodology as applies to LTIP awards granted in 2014 (as set out above).

As explained earlier in the Remuneration Committee Chairman’s Statement set out on page 44, the Remuneration Committee intends to review the current remuneration framework to ensure that the Company incentivises and motivates the Executive Directors to achieve the business objectives of the Company, and to continue to enhance Shareholder value in the medium to longer term. As part of this exercise, it may consider restructuring the LTIP and bonus for future awards, giving careful thought to the appropriate measures by which to assess medium to long-term performance, in line with the outcome of the Company’s five year strategic review.

Non-Executive Director Remuneration

The Non-Executive Director fees are not expected to be reviewed in the coming year and therefore the fees will remain as outlined in the table below:

	Fees £
Brenda Dean	67,000
Jim Prower	45,000
Alexandra Mackesy	40,000
Stephen Alston	-

Consideration by Directors of Matters Relating to Directors’ Remuneration

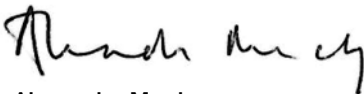
The Remuneration Committee is responsible for reviewing and making recommendations to the Board regarding the Remuneration Policy of the Group and for reviewing compliance determined by Policy. During the period ending 30 June 2015, the Remuneration Committee consisted of the following Directors: Alexandra Mackesy (Chairman), Brenda Dean and Jim Prower. In addition, the CEO and CFO joined Remuneration Committee meetings to provide valuable input. No individual was present when their own remuneration was being discussed.

Internal Advice

The Chief Executive Officer attended Remuneration Committee meetings by invitation, other than when his personal remuneration is being discussed. The Company Secretary acted as secretary to the Remuneration Committee.

External Advice

After the end of the financial period the Remuneration Committee conducted a process to appoint an additional independent adviser on remuneration matters. Following this process Deloitte LLP was appointed to act as independent advisers to the Remuneration Committee. Deloitte is a member of the Remuneration Consultants Group and as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK.



Alexandra Mackesy
Remuneration Committee Chairman

14 September 2015

Directors' Report

Introduction

The Directors are pleased to present their Annual Report, including the Company's audited financial statements as at, and for the period ended, 30 June 2015.

The Directors' Report, together with the Strategic Report on pages 1 to 30 comprise the "Management Report", for the purposes of Disclosure and Transparency Rule 4.1.5R.

Statutory Information Contained Elsewhere in the Annual Report

Information required to be part of this Directors' Report can be found elsewhere in the Annual Report and is incorporated into this report by reference as indicated in the relevant section.

Financial Results and Dividends

The financial results for the period can be found in the Consolidated Statement of Comprehensive Income as set out on page 66.

The following interim dividends were declared and paid in relation to the period ended 30 June 2015:

Date dividend announced	Amount of interim dividend	Date dividend paid
30 October 2014	1.5p	28 November 2014
25 February 2015	0.5p	20 March 2015
28 May 2015	1.0p	25 June 2015
8 July 2015	1.0p	4 August 2015

Directors

The names of the Directors of the Company who served during the reporting period are set out on pages 32 and 33 together with their biographical details.

Directors and Officers liability insurance cover is maintained by the Company, at its expense, on behalf of the Directors.

Directors' Interests in Shares

The Directors' interests in shares are disclosed in the Directors' Remuneration Report on page 56.

Future Developments

An indication of the likely future developments of the business of the Company is set out in the Strategic Report on page 5.

Political Donations

No political donations were made during the year.

Employees

The Company had built a diverse and talented team of ten people as at 30 June 2015 increasing to 16 as at the date of the Annual Report. The Company complies with all relevant legislation, respects human rights, encourages a diverse and tolerant workforce, provides fair pay and remuneration benchmarked to industry standards and gives its staff the opportunity to develop in a supportive environment.

Financial Instruments

Details of the financial risk management objectives and policies of the Group, together with its exposure to material financial risks, are set out in Note 31 to the consolidated financial statements.

Share Capital

As part of the Company's IPO on 30 June 2014, the Company issued 85,000,000 ordinary shares of the Company ("Ordinary Shares"), at a price of 100 pence per share, which were listed on the premium segment of the UK Listing Authority's Official List and were admitted to trading on the Main Market of the London Stock Exchange.

On 24 November 2014, the Company issued 65,000,000 Ordinary Shares as part of a Share Issuance Programme approved by shareholders on 17 November 2014, under which the Company is authorised to issue up to 300,000,000 Ordinary Shares between October 2014 and October 2015 (the "Share Issuance Programme"). On 17 March 2015, a further 82,926,829 Ordinary Shares were issued pursuant to the Share Issuance Programme. As at 30 June 2015, the total number of Ordinary Shares in issue was 232,926,830.

Ordinary Shares	Number	Gross Proceeds (£)
Balance at start of the period	1	-
Shares issued in June 2014	85,000,000	85,000,000
Shares issued in November 2014	65,000,000	65,650,000
Shares issued in March 2015	82,926,829	85,000,000
Balance at end of the period	232,926,830	235,650,000

Restrictions on Transfer of Securities in the Company

There are no restrictions on the transfer of securities in the Company, save as follows:

- pursuant to the Listing Rules of the Financial Conduct Authority (the "Listing Rules"), whereby certain individuals require approval to deal in the Company's shares; and
- pursuant to the Company's articles of association, whereby the Board may decline to register a transfer of shares or otherwise impose a restriction on shares to prevent the Company breaching any law or regulation.

The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities in the Company.

Securities Carrying Special Rights

No person holds securities in the Company carrying special rights with regard to control of the Company.

Going Concern

The Directors believe that the Company is well placed to manage its financing and other business risks. Greater detail on this is provided in the Accountability section within the Governance reports on pages 41 to 43. The Board is, therefore, of the opinion that the going concern basis adopted in the preparation of the Annual Report is appropriate.

Greenhouse Gas Emissions Reporting

This section contains information on greenhouse gas ("GHG") emissions required by the Companies Act 2006 (Strategic report and Directors' report) Regulations 2013 (the "Regulations").

Reporting Period

The reporting period is 30 June 2014 to 30 June 2015, comprising the period from the commencement of operations to the year end. This is the first period in which GHG reporting has been conducted by the Company, and it will be used as the baseline period for comparison in future years.

Methodology

The principal methodology used to calculate the emissions reflects the UK Government's Environmental Reporting Guidance (2013 version).

The Company has reported on all of the emission sources required under the Regulations. The Company does not have responsibility for any emission sources that are not included in the carbon emissions data table on this page.

Organisational Boundary

An operational control approach was used to define the Company's organisational boundary and responsibility for GHG emissions. The Company owns 100% of the property assets it operates and has therefore reported on that basis. All material emission sources within this boundary have been reported upon, in line with the requirements of the Regulations.

Intensity Ratio

In order to express the GHG emissions in relation to a quantifiable factor associated with the Company's activities, the intensity ratio of per operating bed has been chosen. It is considered that this intensity ratio will provide a uniform basis of comparing data between the Group's properties. This will also allow comparison of the Group's performance over time, as well as with other companies in the Group's peer group.

Total GHG emissions for the period 30 June 2014 to 30 June 2015:

Carbon emissions data

Absolute energy use:

Residential gas (kWh)	2,665,000
Residential electricity (kWh)	1,881,000

Absolute CO₂e emissions (tonnes CO₂e)

Residential gas emissions (tonnes CO ₂ e) (Scope 1)	489
Residential electricity emissions (tonnes CO ₂ e) (Scope 2)	987

Total residential emissions (tonnes CO₂e) (Scopes 1+2)	1,476
--	--------------

CO₂e emissions per operating bed

Residential gas emissions (tonnes CO ₂ e/operating bed) (Scope 1)	0.21
Residential electricity emissions (tonnes CO ₂ e/operating bed) (Scope 2)	0.43

Total residential emissions (tonnes CO₂e/operating bed) (Scope 1+2)	0.64
---	-------------

Substantial shareholdings

As of 14 September 2015, the Company is aware of the following material shareholders who were directly or indirectly interested in 3% or more of the total voting rights in the Company's issued share capital:

Investor	No. of Ordinary Shares	% holding of Issued Share Capital
Schroders plc	36,370,442	11.97%
Investec Wealth & Investment Limited	25,733,988	8.47
East Riding of Yorkshire Council Pension Fund	23,926,829	7.87
SG Hambros Bank Limited	17,505,758	5.76
CCLA Investment Management Limited	16,116,526	5.30
Goldman Sachs	11,721,787	3.86
Asset Value Investors	11,200,000	3.69
Smith & Williamson Holdings Limited	9,521,933	3.13
Rathbone Brothers plc	9,380,460	3.09

Amendment of Articles

The Articles may be amended by a special resolution of the Company's shareholders.

Powers of the Directors

Subject to the Articles, the Companies Acts and any directions given by the Company by special resolution, the business of the Company will be managed by the Board, which may exercise all the powers of the Company.

Directors' Report continued

Powers in Relation to the Company Issuing its Shares

The Directors were also granted authority at a general meeting on 17 November 2014 to allot Ordinary Shares in the Company in accordance with section 551 of the Companies Act 2006 inter alia, up to an aggregate nominal amount of £3,000,000 (based on 300,000,000 shares issued at a nominal amount of £0.01 per share) pursuant to the Share Issuance Programme and for premium management purposes. The Directors were also granted authority to issue those shares non-pre-emptively and wholly for cash. These authorities expire at the conclusion of the Company's next AGM.

Appointment and Replacement of Directors

Details of the process by which Directors can be appointed or replaced are included in the Corporate Governance Statement on page 40.

Post Balance Sheet Events

For all details occurring since the balance sheet date please refer to Note 28 on page 89.

Independent Auditor

BDO LLP have expressed their willingness to continue as auditor for the financial year ending 30 June 2016 and a resolution relating to this appointment will be tabled at the AGM on 4 November 2015.

Disclosure of Information to Auditor

The Directors who were members of the Board at the time of approving the Directors' Report have confirmed that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditors are not aware; and
- each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Annual General Meeting

The Annual General Meeting of the Company will be held at the offices of Wragge Lawrence Graham & Co LLP, 4 More London Riverside, London SE1 2AU at 11.00am on Wednesday, 4 November 2015.

This Report was approved by the Board on 14 September 2015.

FIM Capital Limited

Company Secretary

14 September 2015

Directors' Responsibilities Statement

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

Company law requires the Directors to prepare the Group and Company financial statements for each financial year. The financial statements have been prepared in accordance with IFRSs as adopted by the European Union. 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 Company and of the profit or loss for the Group for that period.

In preparing the 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;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the Group financial statements;
- for the Company financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the Company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the Financial Position of the Group and Company and enable them to ensure that its financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, a Corporate Governance Statement, including a Directors' Remuneration Report and a Directors' Report that comply with that law and those regulations, these can be found on pages 1, 34, 44 and 58 respectively.

Website Publication


The Directors are responsible for ensuring the Annual Report, including the financial statements, is made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' Responsibility Statement

We confirm that to the best of our knowledge:

- the financial statements have been prepared in accordance with IFRSs as adopted by the European Union and Article 4 of the IAS Regulation and, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation as a whole;
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Signed on behalf of the Board by:



The Rt Hon the Baroness Dean of Thornton-le-Fylde
Chairman

14 September 2015

Financial Statements

Independent Auditor's Report

to the Members of Empiric Student Property plc

Opinion on Financial Statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and Parent Company's affairs as at 30 June 2015 and of the Group's profit for the period then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union 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.

The financial statements of Empiric Student Property plc for the period from 11 February 2014 to 30 June 2015 comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective Responsibilities of Directors and Auditors

As explained more fully in the statement of Directors' responsibilities, 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 Financial Reporting Council's ("FRC's") Ethical Standards for Auditors.

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 auditor's 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.

Our Assessments of Risks of Material Misstatement and Overview of the Scope of our Audit

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.com

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement at the Group level. The Group audit team have responsibility for the audit of all components all of which were subject to full scope audits. Audit work to respond to the assessed risks were performed directly by the Group audit engagement team who performed full scope audit procedures on the Group's investment property, its only component. We identified the following risks that have had the greatest impact on our audit strategy and scope:

Independent Auditor's Report continued

to the Members of Empiric Student Property plc

Risk	How the Scope of Our Audit Responded to the Risk
<p>The Group has acquired a portfolio of properties which are held as investment properties.</p> <p>Investment properties, including those in the course of development, are held at fair value in the Group financial statements.</p> <p>Determination of the fair value of investment properties is considered a significant audit risk due to the subjective nature of certain assumptions inherent in each valuation and could be subject to management override.</p> <p>The Group engages external experts to value these properties at each reporting period. The valuation models applied are complex and require consideration of the existing market conditions including yields and estimates regarding rental income, occupancy and property management costs. Valuing investment properties under development can be further complicated by the need to forecast discounted cash flows with a deduction for costs to complete.</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> meeting with the Group's external valuer, who valued all of the Group's investment properties, to understand the assumptions and methodologies used in valuing these properties and the market evidence supporting the valuation assumptions; assessing the competency, independence and objectivity of the external valuer which included making inquiries regarding interests and relationships that may have created a threat to the external valuer's objectivity; using our knowledge and experience to evaluate and challenge the valuation assumptions, methodologies and the inputs used. This included establishing our own range of expectations for the valuation of investment property based on externally available metrics and wider economics and commercial factors. We considered whether investment property valuation indicated potential management bias to either overstate or understate the valuation. We assessed the valuation of all the investment properties against our own expectation and challenged those valuations which fell outside of our range of expectation; and agreeing the key observable valuation inputs used by the external valuer back to source documentation, which included title deeds and lease agreements; and comparing a sample of forecasted costs to complete to management budgets and signed contracts with developers and contractors.
<p>Rental income is recognised on a straight-line basis over the lease term for the Group's standing assets based upon rental agreements that are in place.</p> <p>The Group has several property managers and multiple tenants across its property portfolio. There is a risk that revenue is not supported by underlying rental agreements or is inappropriately recognised.</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> selecting a sample of revenue recognised back to rental agreements; performing detailed analytical review procedures based upon the lease testing for each property; and testing the deferred income recognised at 30 June 2015 for a sample of properties to ensure that income received in advance has been appropriately deferred.

Our Application of Materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

The materiality for the Group financial statements as a whole was set at £3,300,000. This was determined with reference to a benchmark of Group total assets (of which it represents 1.0%). We consider this to be one of the principal considerations for members of the Company in assessing the financial performance of the Group.

International Standards on Auditing ("ISAs") (UK & Ireland) also allow the auditor to set a lower materiality for particular classes of transactions, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. In this context, we applied materiality of £160,000 to revenue, property expenses, administration expenses, finance cost and income, share of results from joint ventures and corporation tax.

We agreed to report to the Audit Committee any corrected and uncorrected identified misstatements in excess of £66,000 and any other misstatements that, in our view, warranted reporting on qualitative grounds.

Opinion on Other Matters Prescribed by the Companies Act 2006

In our opinion:

- the part of the Director's Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic Report and Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Statement set out on pages 41 and 43 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

Under the ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Director's statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

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 58, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

We have nothing to report in respect of these matters.

Richard Levy (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

14 September 2015

Consolidated Statement of Comprehensive Income

for the period from 11 February 2014 to 30 June 2015

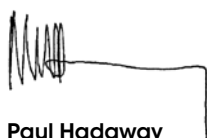
	Notes	£
Continuing operations		
Revenue	2	8,303,320
Property expenses	3	(2,170,297)
Gross profit		6,133,023
Administrative expenses	4	(4,793,640)
Change in fair value of investment property	13	11,283,174
Operating profit		12,622,557
Finance cost		(1,324,106)
Finance income		161,131
Net finance cost	5	(1,162,975)
Share of results from joint ventures	14	2,759,836
Profit before income tax		14,219,418
Corporation tax	8	-
Profit for the period		14,219,418
Other comprehensive income		
<i>Items that will be reclassified to profit and loss</i>		
Fair value loss on cash flow hedge		(206,331)
Total comprehensive income for the period		14,013,087
Earnings per share expressed in pence per share	9	
Basic		9.67
Diluted		9.61

Consolidated Statement of Financial Position

30 June 2015

	Notes	£
Assets		
Non-current assets		
Property, plant and equipment	12	78,806
Investment property	13	239,775,000
Investments in joint ventures	14	8,378,373
Derivative financial assets	19	229,261
		248,461,440
Current assets		
Trade and other receivables	15	4,174,311
Cash and cash equivalents	16	78,788,454
		82,962,765
Total assets		331,424,205
Liabilities		
Current liabilities		
Trade and other payables	17	4,055,152
Borrowings	18	750,000
Deferred rental income		2,376,990
		7,182,142
Non-current liabilities		
Bank borrowings	18	83,398,182
Derivative financial liability	19	448,907
Total liabilities		91,029,231
Called up share capital	20	2,329,268
Share premium	21	82,280,103
Capital reduction reserve	22	141,416,891
Retained earnings	23	14,575,043
Cash flow hedge reserve		(206,331)
Total equity/net assets		240,394,974
Total equity and liabilities		331,424,205
Net Asset Value per share basic (pence)	10	103.21
Net Asset Value per share diluted (pence)	10	102.79

These financial statements were approved by the Board of Directors on 14 September 2015 and signed on its behalf by:



Paul Hadaway
Director

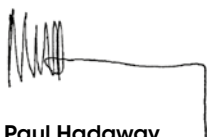
14 September 2015

Company Statement of Financial Position

30 June 2015

	Notes	£
Assets		
Non-current assets		
Property, plant and equipment	12	78,806
Investments in subsidiaries	33	18
Investments in joint ventures	14	5,618,537
		5,697,361
Current assets		
Trade and other receivables	15	403,877
Amounts due from Group undertakings	15	209,190,976
Cash and cash equivalents	16	58,863,095
		268,457,948
Total assets		274,155,309
Liabilities		
Current liabilities		
Amounts due to Group undertakings	17	50,641,757
Trade and other payables	17	1,035,820
Total liabilities		51,677,577
Called up share capital	20	2,329,268
Share premium	21	82,280,103
Capital reduction reserve	22	141,416,891
Retained earnings		(3,548,530)
Total equity		222,477,732
Total equity and liabilities		274,155,309
Net Asset Value per share basic	10	95.51
Net Asset Value per share diluted	10	95.13

These financial statements were approved by the Board of Directors on 14 September 2015 and signed on its behalf by:



Paul Hadaway
Director

14 September 2015

Consolidated Statement of Changes in Equity

for the period 11 February 2014 to 30 June 2015

	Called up share capital £	Share premium £	Capital reduction reserve £	Retained earnings £	Cash flow hedge reserve £	Total equity £
Changes in equity						
Profit for the period	-	-	-	14,219,418	-	14,219,418
Fair value loss on cash flow hedge	-	-	-	-	(206,331)	(206,331)
Total comprehensive income for the period	-	-	-	14,219,418	(206,331)	14,013,087
Issue of share capital	2,379,268	233,320,732	-	-	-	235,700,000
Share issue costs	-	(5,269,470)	-	-	-	(5,269,470)
Redemption of share capital at par	(50,000)	-	-	-	-	(50,000)
Share-based payments	-	-	-	355,625	-	355,625
Reduction in share premium	-	(145,771,159)	145,771,159	-	-	-
Dividends	-	-	(4,354,268)	-	-	(4,354,268)
Total contributions and distributions recognised directly in equity	2,329,268	82,280,103	141,416,891	355,625	-	226,381,887
Balance at 30 June 2015	2,329,268	82,280,103	141,416,891	14,575,043	(206,331)	240,394,974

Company Statement of Changes in Equity

for the period 11 February 2014 to 30 June 2015

	Called up share capital £	Share premium £	Capital reduction reserve £	Retained earnings £	Total equity £
Changes in equity					
Loss for the period	-	-	-	(3,904,155)	(3,904,155)
Total comprehensive income for the period	-	-	-	(3,904,155)	(3,904,155)
Issue of share capital	2,379,268	233,320,732	-	-	235,700,000
Share issue costs	-	(5,269,470)	-	-	(5,269,470)
Redemption of share capital at par	(50,000)	-	-	-	(50,000)
Share-based payments	-	-	-	355,625	355,625
Reduction in share premium	-	(145,771,159)	145,771,159	-	-
Dividends	-	-	(4,354,268)	-	(4,354,268)
Total contributions and distributions recognised directly in equity	2,329,268	82,280,103	141,416,891	355,625	226,381,887
Balance at 30 June 2015	2,329,268	82,280,103	141,416,891	(3,548,530)	222,477,732

Consolidated Statement of Cash Flows

for the period 11 February 2014 to 30 June 2015

	Notes	£
Cash flows from operating activities		
Net cash flows generated from operations	29	3,730,743
Cash flows from investing activities		
Purchase of tangible fixed assets		(95,210)
Investments in joint ventures		(5,618,537)
Purchase of investment property		(209,749,273)
Interest received		161,131
Net cash flows from investing activities		(215,301,889)
Cash flows from financing activities		
Share issue proceeds		235,650,000
Share issue costs		(5,269,470)
Dividends paid		(4,354,268)
Restricted shares issued		50,000
Restricted shares redeemed		(50,000)
Bank borrowings		66,600,000
Loan arrangement fees paid		(1,194,371)
Finance costs		(1,072,291)
Net cash from financing activities		290,359,600
Increase in cash and cash equivalents		78,788,454
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period		78,788,454

Company Statement of Cash Flows

for the period 11 February 2014 to 30 June 2015

	Notes	£
Cash flows from operating activities		
Net cash flow used in operations	29	(3,023,190)
Cash flows from investing activities		
Purchase of tangible fixed assets		(95,210)
Investments in joint ventures		(5,618,537)
Payments to/on behalf of subsidiaries		(209,190,976)
Repayments from subsidiaries		50,641,757
Interest received		122,989
Net cash flows from investing activities		(164,139,977)
Cash flows from financing activities		
Share issue proceeds		235,650,000
Share issue costs		(5,269,470)
Dividends paid		(4,354,268)
Restricted shares issued		50,000
Restricted shares redeemed		(50,000)
Net cash from financing activities		226,026,262
Increase in cash and cash equivalents		58,863,095
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period		58,863,095

Notes to the Financial Statements

for the period 11 February 2014 to 30 June 2015

1. Accounting Policies

1.1 Trading Period

The consolidated financial statements of the Group reporting period is from the date of incorporation 11 February 2014 to 30 June 2015 but the Group only commenced trading from 1 July 2014.

1.2 Basis of Preparation

The consolidated financial statements of the Group for the period to 30 June 2015 comprise the Company and its subsidiaries, together referred to as the Group. These financial statements have been prepared on a going concern basis and in accordance with IFRSs as issued by the International Accounting Standards Board ("IASB") as adopted by the European Union. These are the first financial statements for the Group.

The Group's financial statements have been prepared on a historical cost basis, except for investment property and derivative financial instruments which have been measured at fair value. The consolidated financial statements are presented in Sterling which is also Company's functional currency.

1.3 Going Concern

The consolidated financial statements have been prepared on a going concern basis as explained in the Directors' Report on page 58.

1.4 Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

(a) Fair Valuation of Investment Property

The market value of investment property is determined, by real estate valuation experts, to be the estimated amount for which a property should exchange on the date of the valuation in an arm's length transaction. Properties have been valued on an individual basis. The valuation experts use recognised valuation techniques and the principles of IFRS 13.

The valuations have been prepared in accordance with the RICS Valuation – Professional Standards January 2014 (the "Red Book"). Factors reflected include current market conditions, annual rentals, lease lengths, and location. The significant methods and assumptions used by valuers in estimating the fair value of investment property are set out in Note 13.

For properties under development the fair value is calculated by estimating the fair value of the completed property using the income capitalisation technique less estimated costs to completion.

(b) Business Combinations

The Group acquires subsidiaries that own investment properties. At the time of acquisition, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property.

Where such acquisitions are not judged to be the acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate equity is allocated between the identifiable assets and liabilities of the entity based upon their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred tax arises.

(c) Fair Valuation of Interest Derivatives

In accordance with IAS 39, the Group values its interest's rate derivatives at fair value. The fair values are estimated by J.C. Rathbone Ltd with revaluation occurring on a six monthly basis. The financial valuation expert will use a number of assumptions in determining the fair values including estimations of future interest rates and therefore future cash flows. The fair value represents the net present value of the difference between the cash flows produced by the contracted rate and the valuation rate.

(d) Operating Lease Contracts – the Group as Lessor

The Group has acquired investment properties which are subject to commercial property leases with tenants. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, particularly the duration of the lease terms and minimum lease payments, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the leases as operating leases.

Notes to the Financial Statements continued

for the period 11 February 2014 to 30 June 2015

1. Accounting Policies continued

1.5 Summary of Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2015. Subsidiaries are those investee entities where control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, it has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

The financial statements of the subsidiaries is prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Segmental Information

The Directors are of the opinion that the Group is engaged in a single segment business, being the investment in the United Kingdom in student and commercial lettings.

Property, Plant and Equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure which is directly attributable to the acquisition of the asset.

Depreciation has been charged to the Consolidated Statement of Comprehensive Income on the following basis:

- Fixtures and fittings – 15% reducing balance;
- Computer equipment – straight-line basis over three years.

Investment Property

Investment property comprises property that is held to earn rentals or for capital appreciation, or both, and property under development rather than for sale in the ordinary course of business or for use in production or administrative functions.

Investment property is measured initially at cost including transaction costs and is included in the financial statements on unconditional exchange. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating.

Subsequent to initial recognition, investment property is stated at fair value. Gains or losses arising from changes in the fair values are included in the Consolidated Statement of Comprehensive Income in the period in which they arise.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. The investment property is derecognised upon unconditional exchange. The difference between the net disposal proceeds and the carrying amount of the asset would result in either gains or losses at the retirement or disposal of investment property. Any gains or losses are recognised in the Consolidated Statement of Comprehensive Income in the period of retirement or disposal.

1. Accounting Policies continued

Joint Ventures

The Group is party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

- joint ventures: where the Group has rights to only the net assets of the joint arrangement; and
- joint operations: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- the structure of the joint arrangement;
- the legal form of joint arrangements structured through a separate vehicle;
- the contractual terms of the joint arrangement agreement; and
- any other facts and circumstances (including any other contractual arrangements).

Joint ventures are initially recognised in the Consolidated Statement of Financial Position at cost and are subsequently accounted for using the equity method, where the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the Consolidated Statement of Comprehensive Income (except for losses in excess of the Group's investment in the joint venture unless there is an obligation to make good those losses).

Profits and losses arising on transactions between the Group and its joint venture are recognised only to the extent of unrelated investors' interests in the joint venture. The investor's share in the joint venture's profits and losses resulting from these transactions is eliminated against the carrying value of the joint venture.

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

The Group accounts for its interests in joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

Rent and Other Receivables

Rent and other receivables are recognised at their original invoiced value net of VAT. A provision is made when there is objective evidence that the Group will not be able to recover balances in full.

Financial Assets

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group has not classified any of its financial assets as held to maturity.

The Group's accounting policy for each category is as follows:

Loans and Receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently impaired if there is doubt over recovery.

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the Consolidated Statement of Financial Position.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less from inception.

Financial Liabilities

The Group's financial liabilities comprise mainly trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Notes to the Financial Statements continued

for the period 11 February 2014 to 30 June 2015

1. Accounting Policies continued

Rental Income

The Group is the lessor in operating leases. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms and is included in gross rental income in the Consolidated Statement of Comprehensive Income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income.

Tenant lease incentives are recognised as a reduction of rental revenue on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the Directors are reasonably certain that the tenant will exercise that option.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in the Consolidated Statement of Comprehensive Income when the right to receive them arises.

Hedge Accounting

The Group's activities expose it to the financial risks of changes in interest rates.

The use of financial derivatives (interest rate swaps and caps) is approved by the Board of Directors and is consistent with the Group's risk management strategy.

Derivative financial instruments are initially measured at fair value on the contract date and are subsequently remeasured to fair value at each reporting date. Any difference between the transaction price and the initial fair value is recognised immediately in the Consolidated Statement of Comprehensive Income. The Group designates certain derivatives as hedges of the changes of fair value of recognised assets and liabilities ("cash flow hedges"). Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, no longer qualifies for hedge accounting or the Group chooses to end the hedging relationship.

Cash Flow Hedge

The Group has used a derivative instrument to convert its floating rate debt to a fixed rate in order to hedge the interest rate risk.

The Group designates this as a hedging instrument in the cash flow hedge. Changes in fair value of the hedging instrument are recognised in other comprehensive income to the extent that they represent an effective hedge, otherwise fair value changes are recognised as financial costs in the Consolidated Statement of Comprehensive Income.

Operating Leases

Rentals paid under operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight-line basis over the period of the lease.

Taxation

Taxation on the profit and loss for the period not exempt under UK REIT regulations comprises current and deferred tax. Taxation is recognised in Consolidated Statement of Comprehensive Income except to the extent that it relates to items recognised as direct movement in equity, in which case it is also recognised as a direct movement in equity.

Current tax is expected tax payable on any non-REIT taxable income for the period, using tax rates enacted at the balance sheet date.

Share-based Payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Consolidated Statement of Comprehensive Income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the Consolidated Statement of Comprehensive Income over the remaining vesting period.

Share Capital

Ordinary shares are classified as equity. External costs directly attributable to the issuance of shares are recognised as a deduction from equity.

1. Accounting Policies continued**1.6 Standards Issued But Not Yet Effective**

The following are new standards, interpretations and amendments, which are not yet effective and have not been early adopted in these financial statements, that will or may have an effect on the Group's future financial information:

- IFRS 9: Financial Instruments (effective 1 January 2018 subject to EU endorsement); and
- IFRS 15: Revenue from Contracts with Customers (effective 1 January 2018 subject to EU endorsement).

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the period of initial application, other than on presentation and disclosure.

2. Revenue

Group
For the period
11 February 2014
to 30 June 2015
£

Student rental income	7,587,994
Commercial rental income	379,984
Rental income	7,967,978
Development management fee	335,342
	8,303,320

3. Property Expenses

Group
For the period
11 February 2014
to 30 June 2015
£

Direct site costs	771,064
Technology services	715,366
Site offices and utilities	325,915
Cleaning and service contracts	182,150
Repairs and maintenance	175,802
	2,170,297

4. Administrative Expenses

Group
For the period
11 February 2014
to 30 June 2015
£

Salaries and Directors' remuneration	2,247,572
Legal and professional fees	993,856
Other administrative costs	1,410,112

Auditor's Fees

Fees payable for the audit of the Company's annual accounts	87,500
Fees payable for the review of the Company's interim accounts	25,000
Fees payable for the audit of the Company's initial accounts	8,500
Fees payable for the audit of the Company's subsidiaries	21,100

Total Auditor's Fees **142,100**

4,793,640

The Auditor has also received £78,350 in respect of providing reporting accountant services in connection with the initial public offering of the Company, £141,500 in relation to the October 2014 offering and a further £52,500 for the March 2015 offering. The fees relating to the listing and subsequent share offerings of the Company have been treated as share issue expenses and offset against share premium.

Notes to the Financial Statements continued

for the period 11 February 2014 to 30 June 2015

5. Net Finance Cost

	Group For the period 11 February 2014 to 30 June 2015 £
Finance Cost	
Fair value loss on interest rate cap	9,239
Interest expense on bank borrowings	1,072,291
Fair value loss on inception of interest rate swap	242,576
	1,324,106

	Group For the period 11 February 2014 to 30 June 2015 £
Finance Income	
Interest received on bank deposits	161,131
	161,131

6. Employees and Directors

	Group For the period 11 February 2014 to 30 June 2015 £
Total wages and salaries	1,125,450
Pension costs	102,188
Cash bonus	449,625
Share-based payments	355,625
National insurance	214,684
Total	2,247,572

The average monthly number of employees of the Group during the period was as follows.

Management	3
Administration	7
	10

	Group For the period 11 February 2014 to 30 June 2015 £
Directors' remuneration	
Salary and fees	873,481
Pension costs	102,188
Cash bonus	449,625
Share-based payments	355,625
Total	1,780,919

A summary of the Directors' emoluments, including the disclosures required by the Companies Act 2006, is set out in the Directors' Remuneration Report on pages 44 to 57.

7. Profit Before Income Tax

The profit before income tax is stated after charging:

	Group and Company £
Head office accommodation	162,130
Depreciation – owned assets	16,404

The Company has applied the exemption allowed under Section 408(1b) of the Companies Act 2006 and has not presented its own income statement in these financial statements. The Group profit for the period includes a loss after taxation of £3,548,530 for the Company, which is dealt with in the financial statements of the Company.

8. Corporation Tax

The Group became a REIT on 1 July 2014 and as a result does not pay UK corporation tax on its profits and gains from its qualifying property rental business in the UK provided it meets certain conditions. Non-qualifying profits and gains of the Group continue to be subject to corporation tax as normal. In order to achieve and retain REIT status, several conditions have to be met on entry to the regime and on an ongoing basis, including as follows:

- i) at the start of each accounting period, the assets of the property rental business (plus any cash and certain readily realisable investments) must be at least 75% of the total value of the Group's assets;
- ii) at least 75% of the Group's total profits must arise from the tax exempt property rental business; and
- iii) at least 90% of the tax exempt profit of the property rental business (excluding gains) of the accounting period should be distributed.

In addition, full exemption on profits of the property rental business will not be available if the profit: financing cost ratio in respect of the property rental business is less than 1.25.

The Group met all of the relevant REIT conditions for the period ended 30 June 2015.

The Directors intend that the Group should continue as a REIT for the foreseeable future, with the result that deferred tax is no longer recognised on temporary differences relating to the property rental business.

	Group For the period 11 February 2014 to 30 June 2015 £
Current tax	
Income tax charge/(credit) for the period	–
Adjustment in respect of prior periods	–
Total current income tax charge/(credit) in the income statement	–
Deferred tax	
Total deferred income tax charge/(credit) in the income statement	–
Total income tax charge/(credit) in the income statement	–

The tax assessed for the period is lower than the standard rate of corporation tax in the period.

	Group For the period 11 February 2014 to 30 June 2015 £
Profit before tax	14,219,418
Profit before tax multiplied by the rate of corporation tax in the UK of 20.75%	2,950,529
Exempt property rental profits in the period	(694,280)
Exempt property revaluations in the period	(2,913,925)
Effects of:	
Non-allowable expenses	104,936
Deferred tax asset not recognised in respect of unutilised current period tax losses	552,740
Total income tax charge/(credit) in the income statement	–

Notes to the Financial Statements continued

for the period 11 February 2014 to 30 June 2015

8. Corporation Tax continued

A deferred tax asset in respect of the tax losses generated by the residual (non-tax exempt) business of the Group will be recognised to the extent that their utilisation is probable. On the basis that the residual business is not expected to be income generating in future periods, a deferred tax asset has not been recognised in respect of such losses.

9. Earnings Per Share

Basic earnings per share is calculated by dividing the earnings attributable to Ordinary Shareholders by the weighted average number of Ordinary Shares outstanding during the period.

Diluted earnings per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential Ordinary Shares.

Reconciliations are set out below.

	Profit after tax £	Weighted average number of shares	Per-share amount pence
Basic EPS			
Calculation of basic EPS	14,219,418	146,995,991	9.67
Diluted EPS			
Adjustment for employee share options	–	937,500	
Calculation of diluted EPS	14,219,418	147,933,491	9.61

The ordinary number of shares is based on the time weighted average number of shares throughout the period since IPO. This excludes the period from 11 February 2014 to 30 June 2014 when the Group was dormant.

On 23 July 2015 a further share issuance was made of 70,921,985 Ordinary Shares. The issue price was 105.75 pence and the issuance raised £75 million before costs.

10. Net Asset Value Per Share ("NAV")

Basic NAV per share is calculated by dividing net assets in the Statement of Financial Positions attributable to ordinary equity holders of the parent by the number of shares outstanding at the end of the period.

Diluted NAV per share is calculated using the number of shares adjusted to assume the conversion of all dilutive potential shares.

Net asset values have been calculated as follows:

	Company £	Group £
Net assets per Statement of Financial Positions	222,477,732	240,394,974
Ordinary shares:	Number	Number
Issued share capital	232,926,830	232,926,830
Issued share capital plus employee options	233,864,330	233,864,330
	Pence	Pence
NAV per share basic	95.51	103.21
NAV per share diluted	95.13	102.79

11. Dividends Paid

	Group and Company For the period 11 February 2014 to 30 June 2015 £
First interim dividend in respect of period ended 31 December 2014 at 1.5 pence per Ordinary Share	1,275,000
Second interim dividend in respect of period ended 31 December 2014 at 0.5 pence per Ordinary Share	750,000
Third interim dividend in respect of period ended 31 March 2015 at 1.0 pence per Ordinary Share	2,329,268
	4,354,268

11. Dividends Paid continued

On 30 October 2014, the Company announced the declaration of a first interim dividend in respect of the period from admission of the share capital of the Company on 30 June 2014 to 31 December 2014 of 1.5 pence per Ordinary Share, which was paid on 28 November 2014 to Ordinary Shareholders.

On 25 February 2015, the Company announced the declaration of a second interim dividend in respect of the period from 1 July 2014 to 31 December 2014 of 0.5 pence per Ordinary Share, which was paid on 20 March 2015.

On 28 May 2015, the Company announced the declaration of a third interim dividend in respect of the period from 1 July 2014 to 31 March 2015 of 1.0 pence per Ordinary Share, which was paid on 25 June 2015.

On 8 July 2015, the Company announced the declaration of a fourth final interim dividend in respect of the quarter ended 30 June 2015 of 1.0 pence per Ordinary Share, which was paid on 4 August 2015.

12. Property, Plant and Equipment

	Group and Company		
	Fixtures and fittings £	Computer equipment £	Total £
Cost			
As at 11 February 2014	–	–	–
Additions	75,255	19,955	95,210
At 30 June 2015	75,255	19,955	95,210
Depreciation			
As at 11 February 2014	–	–	–
Charge for period	11,558	4,846	16,404
At 30 June 2015	11,558	4,846	16,404
Net book value			
At 30 June 2015	63,697	15,109	78,806

13. Investment Property

	Group			
	Properties under development	Investment properties freehold	Investment properties long leasehold	Total
	£	£	£	£
As at 11 February 2014	–	–	–	–
Property additions	18,811,484	185,369,978	24,310,364	228,491,826
Change in fair value during the period	2,213,516	8,005,022	1,064,636	11,283,174
As at 30 June 2015	21,025,000	193,375,000	25,375,000	239,775,000

In accordance with IAS 40, the carrying value of investment property is their fair value as determined by external valuers. This valuation has been conducted by CBRE Limited, as external valuers, and has been prepared as at 30 June 2015, in accordance with the Appraisal & Valuation Standards of the Royal Institution of Chartered Surveyors ("RICS"), on the basis of market value. This value has been incorporated into the financial statements.

The independent valuation of all property assets uses market evidence and also includes assumptions regarding income expectations and yields that investors would expect to achieve on those assets over time. Many external economic and market factors, such as interest rate expectations, bond yields, the availability and cost of finance and the relative attraction of property against other asset classes, could lead to a reappraisal of the assumptions used to arrive at current valuations. In adverse conditions, this reappraisal can lead to a reduction in property values and a loss in net asset value.

No borrowing costs were capitalised during the period.

During the period, the Urban Sleep portfolio of properties was acquired through, inter alia, the assumption of £18,742,553 of bank borrowings, representing a non-cash transaction within the Consolidated Statement of Cash Flows.

Notes to the Financial Statements continued

for the period 11 February 2014 to 30 June 2015

13. Investment Property continued

Fair Value Hierarchy

The following table provides the fair value measurement hierarchy for investment property:

Date of valuation 30 June 2015	Total £	Quoted prices in active markets (Level 1) £	Significant observable inputs (Level 2) £	Significant unobservable inputs (Level 3) £
Assets measured at fair value:				
Student properties	229,220,000	-	-	229,220,000
Commercial properties	10,555,000	-	-	10,555,000
	239,775,000	-	-	239,775,000

There have been no transfers between Level 1 and Level 2 during the period, nor have there been any transfers between Level 2 and Level 3 during the period.

The valuations have been prepared on the basis of market value which is defined in the RICS Valuation Standards, as: "The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

Market value as defined in the RICS Valuation Standards is the equivalent of fair value under IFRSs.

The following descriptions and definitions relate to valuation techniques and key unobservable inputs made in determining fair values. The valuation techniques for student properties uses a discounted cash flow with the following inputs:

- (a) Unobservable input: Rental income
The rent at which space could be let in the market conditions prevailing at the date of valuation.
(Range £98 per week – £325 per week).
- (b) Unobservable input: Rental growth
The estimated average increase in rent based on both market estimations and contractual arrangements.
Assumed growth of 3% used in valuations.
- (c) Unobservable input: Net initial yield
The net initial yield is defined as the initial gross income as a percentage of the market value (or purchase price as appropriate) plus standard costs of purchase. (Range: 5.75% – 6.75%).
- (d) Unobservable input: Physical condition of the property.
- (e) Unobservable input: planning consent
No planning enquiries undertaken for any of the development properties.
- (f) Sensitivities of measurement of significant unobservable inputs
As set out in the significant accounting estimates and judgements the Group's portfolio valuation is open to judgements and is inherently subjective by nature.

As a result the following sensitivity analysis has been prepared:

	-3% in passing rent £'000	+3% in passing rent £'000	-0.25% in net initial yield £'000	+0.25% in net initial yield £'000
Increase/(decrease) in the fair value of investment properties	(7,930)	7,930	11,205	(10,300)

- (g) The key assumptions for the commercial properties are net initial yield, current rent and rental growth. A movement of 3% in passing rent or 0.25% in the net initial yield will not have a material impact on the financial statements.

14. Joint Ventures

The Group entered into two joint ventures in the period.

Brunswick – Southampton

In July 2014 the Group entered a joint venture with an affiliated investment fund of Revcap Advisors Ltd ("Revcap") to develop a 173 room site in Southampton called Brunswick House. The total cost of the development is forecast to be £16.8 million. Funding for the development has been obtained with a contribution of equity, (50% from each entity), and draw downs from senior debt facility of £10.0 million from Close Brothers. The completion date for the development of the property is scheduled for September 2015.

14. Joint Ventures continued

Willowbank – Glasgow

In July 2014 the Group entered a joint venture with an affiliated investment fund of Revcap to develop a 178 room site in Glasgow called Willowbank. The total cost of the development is forecast to be £14.2 million. Funding for the development has been obtained with a contribution of equity (50% from each entity). The completion date for the development of the property is scheduled for July 2016.

Net Assets and Results of the Joint Ventures

The summarised balance sheets and results for the period and the Group's share of these joint ventures are as follows.

	Willowbank		Brunswick		Total	
	Gross £	Share £	Gross £	Share £	Gross £	Share £
Investment property	6,850,000	3,425,000	16,150,000	8,075,000	23,000,000	11,500,000
Cash	153,228	76,614	(82,192)	(41,096)	71,036	35,518
Loans and borrowings	–	–	(6,817,257)	(3,408,629)	(6,817,257)	(3,408,629)
Other current assets	224,128	112,064	2,712,034	1,356,017	2,936,162	1,468,081
Other current liabilities	(288,218)	(144,109)	(2,144,977)	(1,072,488)	(2,433,195)	(1,216,597)
Net assets	6,939,138	3,469,569	9,817,608	4,908,804	16,756,746	8,378,373

Movement in Carrying Value of the Group's Investment in Joint Ventures

The carrying value of the Group's investment in joint ventures has increased by £8.4 million during the period ended 30 June 2015.

The following table shows how the increase has been achieved.

	Company Investment in joint venture £	Group Investment in joint ventures £
Capital invested in Willowbank	2,023,350	2,023,350
Capital invested in Brunswick	3,595,187	3,595,187
	5,618,537	5,618,537
Net revaluation gains	–	2,759,836
Total investment in joint ventures	5,618,537	8,378,373
Carrying value at 11 February 2014	–	–
Carrying value at 30 June 2015	5,618,537	8,378,373

15. Trade and Other Receivables

	Company 30 June 2015 £	Group 30 June 2015 £
Trade receivables	–	482,633
Other receivables	330,657	818,814
Prepayments	–	2,700,114
VAT recoverable	73,220	172,750
Amounts due from Group undertakings	209,190,976	–
	209,594,853	4,174,311

As there were no trade receivables past due at the period end, no aged analysis of trade receivables has been included.

16. Cash and Cash Equivalents

The amounts disclosed on the statement of cash flow as cash and cash equivalents are in respect of the following amounts shown in the Consolidated Statement of Financial Position:

	Company 30 June 2015 £	Group 30 June 2015 £
Cash at bank and in hand	58,863,095	78,788,454

Notes to the Financial Statements continued

for the period 11 February 2014 to 30 June 2015

17. Trade and Other Payables

	Company 30 June 2015 £	Group 30 June 2015 £
Trade payables	–	717,244
Other payables and accrued expenses	1,035,820	3,337,908
Amounts due to Group undertakings	50,641,757	–
	51,677,577	4,055,152

At 30 June 2015 there was deferred rental income of £2.3 million which was rental income that had been received that related to future years.

The Directors consider that the carrying value of trade and other payables approximates to their fair value.

18. Bank Borrowings

A summary of the drawn and undrawn bank borrowings in the period is show below:

	Group		
	Bank borrowings drawn £	Bank borrowings undrawn £	Total £
As at 11 February 2014	–	–	–
Bank borrowings drawn in the period	85,342,553	–	85,342,553
Bank borrowings available but undrawn in the period	–	20,000,000	20,000,000
As at 30 June 2015	85,342,553	20,000,000	105,342,553

The Group has entered into three separate banking facilities during the period, drawing on £85.3 million of debt while having an undrawn debt facility available of £20.0 million at 30 June 2015. The weighted average term to maturity of the Group's debt as at the period end is 8.07 years.

Bank borrowings are secured by charges over individual investment properties held by certain asset-holding subsidiaries. These assets have a fair value of £186,575,000 at 30 June 2015. In some cases the lenders also hold charges over the shares of the subsidiaries and the intermediary holding companies of those subsidiaries.

Any associated fees in arranging the bank borrowings unamortised as at the period end are offset against amounts drawn on the facilities as shown in the table below:

	Group 30 June 2015 £
Total bank borrowings drawn in the period	85,342,553
Less bank borrowings: due within one year	(750,000)
Bank borrowings drawn: due in more than one year	84,592,553
Less: Unamortised costs	(1,194,371)
Non-current liabilities: Bank borrowings	83,398,182

Maturity of Bank Borrowings

	Group 30 June 2015 £
Repayable between one and two years	750,000
Repayable between two and five years	52,742,553
Repayable in over five years	31,100,000
Non-current liabilities: Bank borrowings	84,592,553

Each of the Group's facilities has an interest charge which is payable quarterly. Two facility interest charges are based on a margin above three month Libor while the other facility interest is fixed at 3.97%. The weighted average margin payable by the Group on its debt portfolio as at the period end was 3.2%.

19. Interest Rate Derivatives

To mitigate the interest rate risk that arises as a result of entering into variable rate linked loans, the Group entered into an interest rate cap and interest rate swap during the period. The interest rate cap has been taken out to cap the rate to which three month Libor can rise and is coterminous with the initial term of the facility. The premium of £238,500 is being settled over the life of the loan.

On the 24 October 2014 a derivative swap contract was taken out to hedge the interest rate risk on long-term debt. The change in valuation of this derivative at 30 June 2015 was £206,331, recognised in other comprehensive income. The fair value loss at inception of £242,576 was recognised in finance costs in the Consolidated Statement of Comprehensive Income.

The Group will continue to review the level of its hedging in the light of the current low interest rate environment.

30 June 2015
£

Non-current assets: Interest rate derivatives – cap	229,261
Non-current liabilities: Interest rate derivatives – swap	(448,907)

The interest rate derivatives are marked to market by the relevant counterparty banks on a quarterly basis in accordance with IAS 39. Any movement in the fair values of the interest rate cap are taken to the net finance costs in the Group Statement of Comprehensive Income.

30 June 2015
£

Interest rate cap premium	238,500
Changes in fair value of interest rate derivatives	(9,239)
	229,261

30 June 2015
£

Total bank borrowings	85,342,553
Total fixed borrowings (at 3.97%)	(31,100,000)
Total floating rate borrowings	54,242,553
Notional value of borrowings under interest rate derivative – swap	35,500,000
Proportion of notional value of interest rate swap derivative to floating rate borrowings	65.4%

Fair Value Hierarchy

The following table provides the fair value measurement hierarchy for interest rate derivatives:

	Date of valuation	Total £	Group		
			Quoted prices in active markets (Level 1) £	Significant observable inputs (Level 2) £	Significant unobservable inputs (Level 3) £
Assets/(liability) measured at fair value:	30 June 2015				
Interest rate derivative – cap		229,261	–	229,261	–
Interest rate derivative – swap		(448,907)	–	(448,907)	–

The fair value of these contracts are recorded in the Group Consolidated Statement of Financial Position and is determined by forming an expectation that interest rates will exceed strike rates and discounting these future cash flows at the prevailing market rates as at the period end.

There have been no transfers between Level 1 and Level 2 during the period, nor have there been any transfers between Level 2 and Level 3 during the period.

Notes to the Financial Statements continued

for the period 11 February 2014 to 30 June 2015

20. Share Capital

Ordinary Shares Issued and Fully Paid at 1 pence Each

		Group and Company	
		30 June 2015 Number	30 June 2015 £
Issued on incorporation	11 February 2014	1	–
Issued at IPO	30 June 2014	85,000,000	850,000
Issued in relation to share issuance programme	24 November 2014	65,000,000	650,000
Issued in relation to share issuance programme	17 March 2015	82,926,829	829,268
As at 30 June 2015		232,926,830	2,329,268

Restricted Shares

		Group and Company	
		30 June 2015 Number	30 June 2015 £
Issued and fully paid £1.00 shares	29 April 2014	50,000	50,000
Redeemed at par value	30 June 2014	(50,000)	(50,000)
As at 30 June 2015		–	–

On 30 June 2014 the Company's Ordinary Shares were listed on the Official List of the Financial Conduct Authority and admitted to trading on the Main Market for listed securities of the London Stock Exchange. The Company's ticker symbol is ESP. The Company issued 85 million shares of £0.01 at a price of £1.00 and raised gross proceeds of £85 million.

The Company put in place a share issuance programme permitting the issue of up to 300 million shares over a 12 month period concluding in October 2015. On 24 November 2014 the Company issued 65 million Ordinary Shares of £0.01 as the first tranche of the Share Issuance Programme at an issue price of £1.01, raising £65.65 million.

On 17 March 2015 a further 82.9 million shares of £0.01 were issued as part of the programme at an issue price of £1.025, raising £85 million.

21. Share Premium

The share premium relates to amounts subscribed for share capital in excess of nominal value:

	Group and Company	£
Share premium on Ordinary Shares issued in relation to IPO	30 June 2014	84,150,000
Share issue expenses in relation to IPO	30 June 2014	(1,868,576)
Transfer to Capital Reduction Reserve (see Note 22)	30 July 2014	(82,281,424)
Share premium on Ordinary Shares issued in relation to share issuance programme	24 November 2014	65,000,000
Share issue expenses in relation to share issuance programme	31 October 2014	(1,510,265)
Transfer to Capital Reduction Reserve (see Note 22)	4 February 2015	(63,489,735)
Share premium on Ordinary Shares issued in relation to share issuance programme	17 March 2015	84,170,732
Costs associated with the issue of Ordinary Shares		(1,890,629)
As at 30 June 2015		82,280,103

22. Capital Reduction Reserve

Group and Company	£
Balance on incorporation	-
Transfer from share premium	145,771,159
First interim dividend	(1,275,000)
Second interim dividend	(750,000)
Third interim dividend	(2,329,268)
As at 30 June 2015	141,416,891

On 30 July 2014 the Company cancelled the then value of its share premium account, by an Order of the High Court of Justice, Chancery Division. The cancellation resulted in £82.3 million being transferred from the share premium account into the capital reduction reserve.

On the 4 February 2015 the Company cancelled the then value of its share premium account, by way of an Order of the High Court of Justice, Chancery Division. The cancellation resulted in £63.5 million being transferred from the share premium account into the capital reduction reserve account.

The capital reduction reserve account is a distributable reserve.

Refer to Note 11 for details of the declaration of dividends to Shareholders.

23. Other Reserves

	Group				
	Share premium £	Capital reduction reserve £	Retained earnings £	Cashflow hedge reserve £	Total reserves £
Changes in reserves					
Profit for the period	-	-	14,219,418	-	14,219,418
Fair value loss on cash flow hedge	-	-	-	(206,331)	(206,331)
Total comprehensive income for the period	-	-	14,219,418	(206,331)	14,013,087
Issue of share capital	233,320,732	-	-	-	233,320,732
Share issue costs	(5,269,470)	-	-	-	(5,269,470)
Share-based payments	-	-	355,625	-	355,625
Reduction in share premium	(145,771,159)	145,771,159	-	-	-
Dividends	-	(4,354,268)	-	-	(4,354,268)
Total contributions and distribution recognised directly in reserves	82,280,103	141,416,891	355,625	-	224,052,619
Balance at 30 June 2015	82,280,103	141,416,891	14,575,043	(206,331)	238,065,706

Notes to the Financial Statements continued

for the period 11 February 2014 to 30 June 2015

24. Leasing Agreements

Future total minimum lease payments under non-cancellable operating leases fall due as follows:

	Group £
On office space currently rented	
Less than one year	140,840
Between one and five years	422,520
	563,360

Future total minimum lease receivables under non-cancellable operating leases on investment properties are as follows:

	Group £
Less than one year	6,073,330
Between one and five years	2,295,059
More than five years	4,345,993
	12,714,382

25. Contingent Liabilities

There were no contingent liabilities at 30 June 2015.

26. Capital Commitments

The Group and Company had capital commitments amounting to £13 million in respect of its two direct joint venture developments, Brunswick (Southampton) and Willowbank (Glasgow) as at 30 June 2015.

The Group had capital commitments relating to forward funded developments totalling £44 million as at 30 June 2015.

27. Related Party Disclosures

Key Management Personnel

Key management personnel are considered to comprise the Board of Directors. Please refer to Note 6 for details of the remuneration for the key management.

Property Purchases

There were a number of properties that were acquired from a joint venture between London Cornwall Property Partners Ltd ("LCPP") and an affiliated investment fund of Revcap. These properties comprise College Green, Picturehouse Apartments, Summit House and Edge Apartments.

Name	Location	Vendor	Related party associated with the Vendor	Acquisition Price (£m)	Acquisition Date
College Green	Bristol	Bristol Student Housing LLP	LCPP ¹ Revcap ² Michael Enright ⁴	9.97	1 July 2014
Picturehouse Apartments	Exeter	Prime Student Housing (Exeter) LLP	LCPP ¹ Revcap ² Michael Enright ³	11.41	1 July 2014
Summit House	Cardiff	Prime Student Housing (Cardiff) LLP	LCPP ¹ Revcap ² Michael Enright ³	9.58	1 July 2014
Edge Apartments	Birmingham	Prime Student Housing (Birmingham) Limited (Jersey)	LCPP ¹ Revcap ²	8.94	21 August 2014

1 Paul Hadaway and Tim Attlee are directors and shareholders in LCPP.

2 Stephen Alston is a partner of Real Estate Venture Capital Management LLP.

3 Michael Enright was a shareholder in the vendor for Picturehouse Apartments and Summit House.

4 College Green was purchased from Bristol Student Housing LLP to whom Mr Enright was a senior debt provider.

27. Related Party Disclosures continued

Share Capital

The table below details the share transactions of related parties over the period.

Name	How related	No of shares	Transaction	Date
Tim Attlee	Director	875,000	Purchased	30 June 2014
Paul Hadaway	Director	1	Purchased	11 February 2014
		875,000	Purchased	30 June 2014
Michael Enright	Director	520,000	Purchased	30 June 2014
Baroness Brenda Dean	Chairman	33,500	Purchased	30 June 2014
Platform Securities Nominees Ltd (Jim Prower)	Director	23,760	Purchased	30 June 2014
Stephen Alston	Director	7,500	Purchased	17 March 2015

Share-based Payments

Upon admission nil cost options were granted to Executive Directors in the amounts of:

Paul Hadaway	375,000 shares
Tim Attlee	375,000 shares
Michael Enright	187,500 shares

Details of the shares granted are outlined in Note 30 – Share-based payments.

Other

Payments for professional services totalling £242,670 (excluding VAT) were made to Revcap during the period. Revcap is deemed to be a related party as a partner of one of its affiliated companies, Stephen Alston, is a Non-Executive Director of the Company.

28. Subsequent Events

Property Transactions

Manchester

On 1 July 2015, the Group entered into a forward funding development agreement with Xian Developments Manchester Limited to develop a 93 bed student accommodation scheme on the site of the Grade II* listed, Welsh Baptist Chapel which the Group acquired in May 2015.

The investment required to complete the development in September 2017 of a direct-let, premium accommodation scheme is £6.9 million (which is in addition to the £1 million already paid for the acquisition of the site).

Stirling

On 3 August 2015, the Group concluded missives (equivalent to exchange of contracts under English law) to acquire the freehold of part of a site off Forthside Way in Stirling, which the Group also proposes to develop into a direct-let, premium student accommodation scheme.

The acquisition price is £650,000 (excluding acquisition costs) and the investment required to complete the scheme in September 2017 is £13 million.

Portsmouth

On 13 August 2015, the Group exchanged contracts to acquire on practical completion the freehold of a property which comprises a high quality turnkey student accommodation scheme converted from the former Portsmouth Land Registry on St Michael's Road, in central Portsmouth.

The acquisition price is £4.45 million and the Group will benefit from a 100% rental guarantee from the developer for the 2015/16 academic year.

Sheffield

On 14 August 2015, the Group acquired a forward funded development in Sheffield, known as Portobello House, a 134 bed new-build premium student accommodation scheme, for a total investment of £10.7 million.

Glasgow

On 10 September 2015, the Group exchanged contracts to acquire on practical completion the long leasehold of a property which comprises a conversion of an office block into a high quality turnkey student accommodation scheme on Bath Street, Glasgow. The acquisition price is £7.4 million and the Group will benefit from a 100% rental guarantee for the 2015/16 academic year.

Notes to the Financial Statements continued

for the period 11 February 2014 to 30 June 2015

28. Subsequent Events continued

Nottingham

On 19 August 2015, the Group acquired a forward funded, development in Nottingham, known as The Frontage, a 162 bed new-build premium student accommodation scheme, for a total investment of £18.4 million.

Bath

On 24 August 2015 the Group has exchanged contracts to acquire on practical completion the long leasehold (125 years) on a site to be developed into a high quality turnkey student accommodation scheme on James Street West, in Bath, for a price of £7.65 million (excluding acquisition costs) and on 20 August the Group also exchanged contracts to acquire on practical completion the freehold on a site to be developed into a high quality turnkey student accommodation scheme on James Street West, in Bath, for a total investment of £25 million (excluding acquisition costs).

Falmouth

On the 17 August 2015, the Group acquired the freehold of a high quality purpose-built student accommodation scheme on Pendennis Rise, in Falmouth, for £8.1 million (excluding costs).

Newcastle

On 10 September 2015, the Group exchanged contracts to acquire on practical completion the freehold of a turnkey student accommodation and retail scheme in central Newcastle for £7.4 million (excluding costs) known as Metrovick House.

During the period, the Group exchanged conditional contracts on Library Lofts, Claremont Place and William & Matthew House for aggregate consideration of £25.7 million (excluding costs). Conditions had not been satisfied as at 30 June 2015 on these property acquisitions. Since the period end William & Matthew House had all conditions satisfied. Library Lofts and Claremont Place will become unconditional on practical completion which is expected by the end of September 2015, when operations commence.

Other Transactions

On 8 July 2015, the Board declared a final interim dividend of 1.0 pence per share in respect of the quarter ended 30 June 2015, paid on 4 August 2015 to shareholders on the register on 17 July 2015.

On 23 July, the Board announced 70,921,985 shares to be issued at a price of 105.75 pence per share.

29. Reconciliation of profit before income tax to cash generated from operations

	Company £	Group £
Profit before income tax	(3,904,155)	14,219,418
Share-based payments	355,625	355,625
Depreciation charge	16,404	16,404
Finance income	(122,989)	(161,131)
Finance costs	-	1,324,106
Share of results from joint venture	-	(2,759,836)
Investment in subsidiaries	(18)	-
Change in fair value of investment property	-	(11,283,174)
	(3,655,133)	1,711,412
Increase in trade and other receivables	(403,877)	(4,174,311)
Increase in trade and other payables	1,035,820	3,816,652
Deferred rental income	-	2,376,990
Cash (used in)/generated from operations	(3,023,190)	3,730,743

30. Share-based Payments

The Company operates a share-based remuneration scheme for Executive Directors.

Upon admission 937,500 nil cost options were granted to the Executive Directors (Paul Hadaway 375,000, Tim Attlee 375,000, and Michael Enright 187,500). The options will become exercisable subject to the Company meeting TSR targets over the three year period to 30 June 2017. The methodology to be used to determine those TSR targets is set out in the Remuneration Report. Subject to the TSR targets being met an award would vest after 30 June 2017 in shares. Directors valued the nil cost options at £1 per share. As at 30 June 2015 the amount recognised relating to the options was £355,625.

The awards have the benefit of dividend equivalence. The Remuneration Committee will determine on or before vesting whether the dividend equivalent will be provided in the form of cash and/or shares.

Granted during the period	937,500
Outstanding at 30 June 2015	937,500

31. Financial Risk Management

Financial Instruments

The Group's principal financial assets and liabilities are those which arise directly from its operations: trade and other receivables, trade and other payables and cash and cash equivalents.

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are shown in the financial statements:

Risk Management

The Group is exposed to market risk (including interest rate risk), credit risk and liquidity risk.

The Board of Directors oversees the management of these risks.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

(a) Market Risk

Market risk is the risk that the fair values of financial instruments will fluctuate because of changes in market prices. The financial instruments held by the Group that are affected by market risk are principally the Group's bank balances along with the interest rate derivatives (swap and cap) entered into to mitigate interest rate risk.

(b) Credit Risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risks from both its leasing activities and financing activities, including deposits with banks and financial institutions. Credit risk is managed by requiring tenants to pay rentals in advance. The credit quality of the tenant is assessed based on an extensive credit rating scorecard at the time of entering into a lease agreement.

Outstanding tenants' receivables are regularly monitored. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset.

(i) Tenant Receivables

Tenant receivables, primarily tenant rentals, are presented in the Consolidated Statement of Financial Position net of allowances for doubtful receivables and are monitored on a case by case basis. Credit risk is primarily managed by requiring tenants to pay rentals in advance and performing tests around strength of covenant prior to acquisition. There are no trade receivables past due as at the period end.

(ii) Credit Risk Related to Financial Instruments and Cash Deposits

One of the principal credit risks of the Group arises with the banks and financial institutions. The Board of Directors believes that the credit risk on short-term deposits and current account cash balances are limited because the counterparties are banks, who are committed lenders to the Group, with high credit ratings assigned by international credit-rating agencies.

Notes to the Financial Statements continued

for the period 11 February 2014 to 30 June 2015

31. Financial Risk Management continued

(c) Liquidity Risk

Liquidity risk arises from the Group's management of working capital and going forward, the finance charges and principal repayments on any borrowings, of which currently there are none. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due as the majority of the Group's assets are property investments and are therefore not readily realisable. The Group's objective is to ensure it has sufficient available funds for its operations and to fund its capital expenditure. This is achieved by continuous monitoring of forecast and actual cash flows by management.

The following table sets out the contractual obligations (representing undiscounted contractual cash flows) of financial liabilities:

30 June 2015	On demand £	Less than 3 months £	3 to 12 months £	1 to 5 years £	> 5 years £	Total £
Bank borrowings and interest	–	850,905	2,570,440	62,720,832	48,236,543	114,378,720
Swap derivatives	–	155,811	476,089	2,096,523	–	2,728,423
Trade and other payables	–	4,055,157	–	–	–	4,055,157
	–	5,061,873	3,046,529	64,817,355	48,236,543	121,162,300

32. Capital Management

The primary objectives of the Group's capital management is to ensure that it remains a going concern and continues to qualify for UK REIT status.

The Board of Directors monitors and reviews the Group's capital so as to promote the long-term success of the business, facilitate expansion and to maintain sustainable returns for shareholders.

Capital consists of Ordinary Shares, other capital reserves and retained earnings.

33. Subsidiaries

Those subsidiaries listed below are considered to be all subsidiaries of the Company at 30 June 2015, with the shares issued being Ordinary Shares.

	Company £
As at 11 February 2014	–
Additions in the period	18
As at 30 June 2015	18

In each case the country of incorporation is the UK.

	Ownership %	Principal activity
Empiric (Alwyn Court) Limited	100%	Property investment
Empiric (Baptists Chapel) Leasing Limited	100%	Property leasing
Empiric (Baptists Chapel) Limited	100%	Property investment
Empiric (Birmingham) Limited	100%	Property investment
Empiric (Bristol) Leasing Limited	100%	Property leasing
Empiric (Bristol) Limited	100%	Property investment
Empiric (Buccleuch Street) Limited	100%	Property investment
Empiric (Buccleuch Street) Leasing Limited	100%	Property leasing
Empiric (Centro Court) Limited	100%	Property investment
Empiric (Claremont Newcastle) Limited	100%	Property investment
Empiric (College Green) Limited	100%	Property investment
Empiric (Developments) Limited	100%	Development management
Empiric (Durham St Margarets) Limited	100%	Property investment
Empiric (Edge Apartments) Limited	100%	Property investment
Empiric (Exeter DCL) Limited	100%	Property investment
Empiric (Exeter LL) Limited	100%	Property investment
Empiric (Framwellgate Durham) Leasing Limited	100%	Property leasing
Empiric (Framwellgate Durham) Limited	100%	Property investment
Empiric (Glasgow Ballet School) Limited	100%	Property investment
Empiric (Glasgow Bath St) Limited	100%	Property investment

33. Subsidiaries continued

	Ownership %	Principal activity
Empiric (Glasgow Otago Street) Leasing Limited	100%	Property leasing
Empiric (Glasgow Otago Street) Limited	100%	Property investment
Empiric (Hatfield CP) Limited	100%	Property leasing
Empiric (Huddersfield Oldgate House) Leasing Limited	100%	Property investment
Empiric (Huddersfield Oldgate House) Limited	100%	Property leasing
Empiric (Huddersfield Snow Island) Leasing Limited	100%	Property investment
Empiric (Lancaster Penny Street 1) Limited	100%	Property investment
Empiric (Lancaster Penny Street 2) Limited	100%	Property investment
Empiric (Lancaster Penny Street 3) Limited	100%	Property investment
Empiric (Leeds Algernon) Limited	100%	Property investment
Empiric (Leeds St Marks) Limited	100%	Property investment
Empiric (Leicester Peacock Lane) Limited	100%	Property investment
Empiric (London Camberwell) Limited	100%	Property investment
Empiric (London Road) Limited	100%	Property investment
Empiric (Northgate House) Limited	100%	Property investment
Empiric (Nottingham 95 Talbot) Leasing Limited	100%	Property leasing
Empiric (Nottingham 95 Talbot) Limited	100%	Property investment
Empiric (Picturehouse Apartments) Limited	100%	Property investment
Empiric (Portobello House) Leasing Limited	100%	Property leasing
Empiric (Portobello House) Limited	100%	Property investment
Empiric (Snow Island) Limited	100%	Property investment
Empiric (St Peter Street) Leasing Limited	100%	Property leasing
Empiric (St Peter Street) Limited	100%	Property investment
Empiric (Stirling Forthside) Leasing Limited	100%	Property leasing
Empiric (Stirling Forthside) Limited	100%	Property investment
Empiric (Summit House) Limited	100%	Property investment
Empiric (Talbot Studios) Limited	100%	Property investment
Empiric Acquisitions Limited	100%	Intermediate holding company
Empiric Investment Holdings (Four) Limited	100%	Intermediate holding company
Empiric Investment Holdings (Three) Limited	100%	Intermediate holding company
Empiric Investment Holdings (Two) Limited	100%	Intermediate holding company
Empiric Investments (Four) Limited	100%	Intermediate holding company
Empiric Investments (One) Limited	100%	Intermediate holding company
Empiric Investments (Three) Limited	100%	Intermediate holding company
Empiric Investments (Two) Limited	100%	Intermediate holding company
Empiric Student Property Trustees Limited	100%	Trustee of the EBT
Empiric (Bath James House) Limited	100%	Property investment
Empiric (Bath JSW) Limited	100%	Property investment
Liverpool Edge Limited	100%	Property investment
Grove St Studios Limited	100%	Property investment

Company Information and Corporate Advisers

Company Registration Number: 08886906

Incorporated in the United Kingdom

Directors and Advisers

Directors

Brenda Dean (The Rt Hon the Baroness Dean of Thornton-le-Fylde) (Chairman)
Paul Hadaway (Chief Executive Officer)
Tim Attlee (Chief Investment Officer)
Michael Enright (Chief Financial Officer)
Jim Prower (Non-Executive Director)
Alexandra Mackesy (Non-Executive Director)
Stephen Alston (Non-Executive Director)

Joint Financial Adviser

Akur Limited
23 Bruton Street
Mayfair
London W1J 6QF

Joint Financial Adviser and Broker

Jefferies International Ltd
Vintners Place
68 Upper Thames Street
London EC4V 3BJ

Legal Adviser to the Company

Wragge Lawrence Graham & Co LLP
4 More London Riverside
London SE1 2AU

Administrator and Company Secretary

FIM Capital Limited
7 Cavendish Square
London W1G 0PE

Registrar

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ

Auditors

BDO LLP
55 Baker Street
London W1U 7EU

Valuer

CBRE Limited
Henrietta House
Henrietta Place
London W1G 0NB

Market Research Provider

Research Stories Limited
34 Paradise Road
London TW9 1SE

Depository

Kingfisher Property Partnerships Limited
41-43 Maddox Street
London W1S 2PD

Notes

Empiric Student Property plc

6-8 James Street
London
W1U 1ED

T +44 (0)20 3772 2780

E info@empiric.co.uk

www.empiric.co.uk