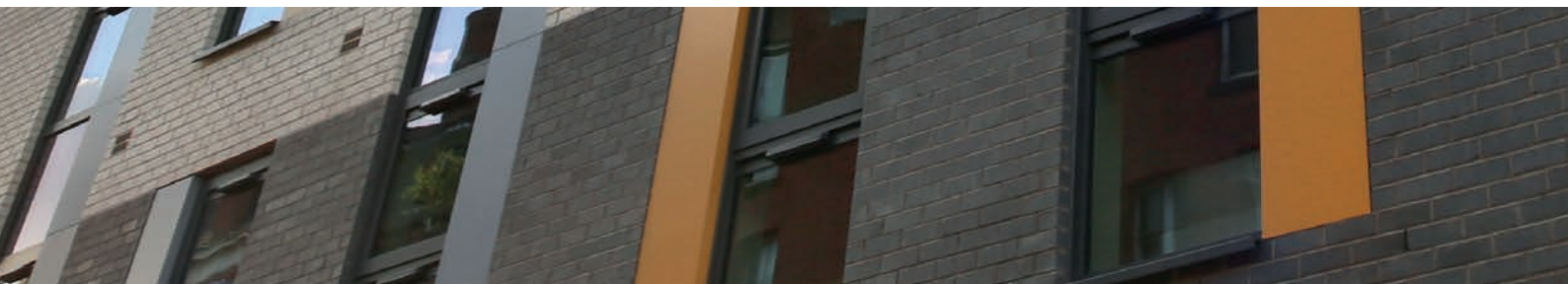




Premium student living: prime locations

Empiric Student Property plc Annual Report and Accounts
For the year ended 30 June 2016



Empiric is an internally managed REIT,
investing in premium purpose-built
student accommodation in central
locations in prime 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.



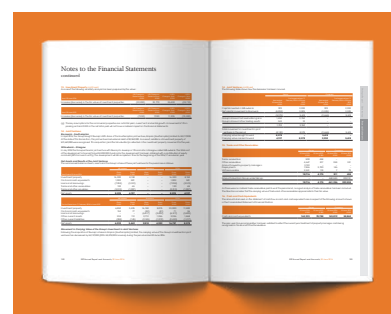
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Highlights for the Year

Financial Highlights

Portfolio Valuation (£m)



NAV Per Share (p)



Earnings Per Share (Basic) (p)



EPRA Earnings Per Share (p)



Adjusted EPRA Earnings Per Share (p)



Dividend Declared Per Share (p)



Revenue (£m)



Gross Annualised Rent (£m)



Operational Highlights

- 75 assets (7,396 beds) in 29 prime cities and towns owned or contracted as at 30 June 2016
- 13 development assets (1,726 beds) reached, or are planned to reach, practical completion for the 2016/17 academic year
- Average valuation yield on our portfolio of operating assets and those that had reached practical completion as at 30 June 2016 was 5.9% (2015: 6.1%) compared with an average net yield on acquisition or on cost of 6.4%
- An average rental uplift of 2.78% targeted for the 2016/17 academic year
- Launch of own operating and marketing platform, Hello Student®
- Empiric's shares were included in the FTSE EPRA/NAREIT Global Developed Index from 18 March 2016 helping to attract new investors and improve liquidity

Post Balance Sheet Highlights

- Agreed two new development debt facilities secured on a number of our forward funded assets amounting to, in aggregate, £63.4 million
- Acquired five new operating assets (323 beds) and one forward funded asset (185 beds)

A Year in Review

£120m

new debt raised through two new facilities

9.7 years

Weighted average term to maturity of Group debt as at 30 June 2016

3.54%

Weighted average interest payable on debt portfolio as at 30 June 2016



August 2015 to November 2015

Empiric acquires

five properties in Bath, totalling 354 beds operational for 2016/17, all now under a nominations agreement with the University of Bath, a first for Empiric.



December 2015

Empiric acquires

Ayton House, a 241 bed operating property in St Andrews, one of only two purpose-built student accommodation schemes serving this historic university.

Launch of the Group's new operating platform:

Hello Student[®]

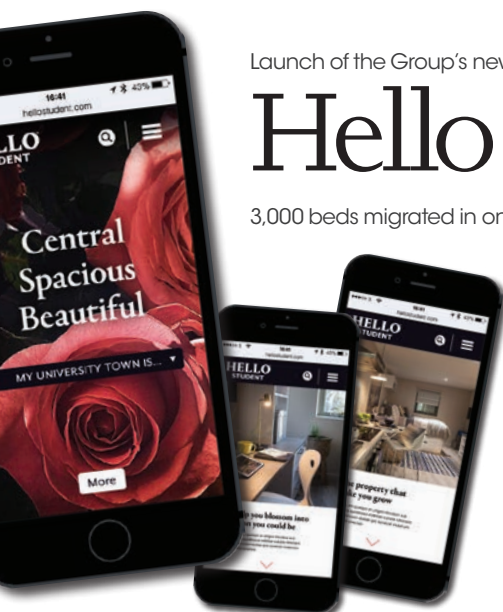
3,000 beds migrated in one year

6p

per share dividend paid in respect of the year ended 30 June 2016

£286m

gross equity raised in three separate tranches, all priced at a premium to NAV and over-subscribed



1,726 beds

new beds developed over the year for the 2016/17 academic year

35

new assets contracted
= 3,879 beds



April 2016

Empiric acquires

Revcap's 50% interest in Brunswick House, Southampton, its first joint venture development, completed in September 2015.

October 2015

Empiric exchanges

contracts on Windsor House, a 314 bed new-build student accommodation scheme in Cardiff, to be operational for 2016/17.



April 2016

Empiric acquires

Victoria Point, Manchester, comprising 561 beds across six buildings with scope to upgrade accommodation and facilities, to enhance rental growth and capital value.

Portfolio at a Glance

Our portfolio of premium student accommodation assets grew over the year to 30 June 2016, more than doubling the number of rooms contracted. 13 assets developed over the year will be operational for the 2016/17 academic year.

75 | Assets contracted at 30 June 2016¹

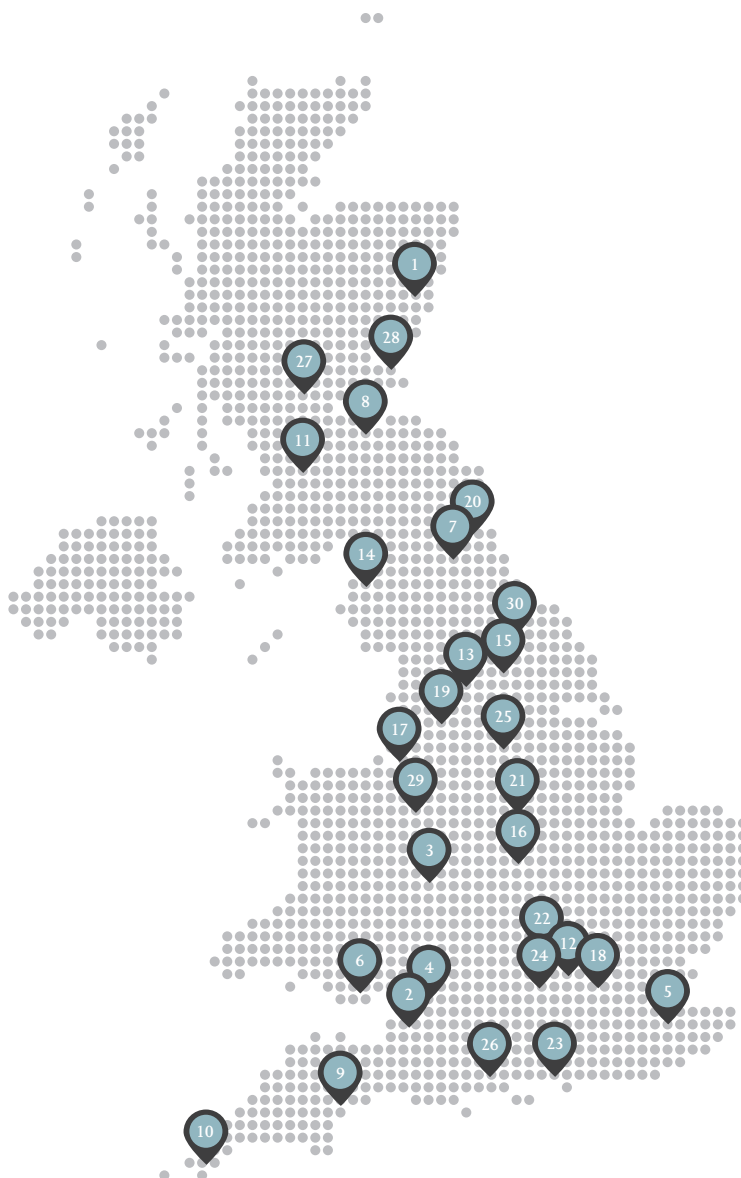
7,396 | Beds contracted at 30 June 2016¹

81 | Assets contracted at 14 September 2016²

7,904 | Beds contracted at 14 September 2016²

£523.9m | Portfolio valuation at 30 June 2016³

£576.7m | Portfolio valuation at 14 September 2016⁴



¹ Includes assets on which the Group had exchanged conditional contracts and for which conditions or planning remained outstanding as at 30 June 2016.

² Includes assets on which the Group has exchanged conditional contracts and for which conditions or planning remained outstanding as at 14 September 2016.

³ Asset valuations from CBRE as at 30 June 2016 (including share of joint venture properties). Does not include values for properties for which conditions or planning remain outstanding.

⁴ Asset valuations from CBRE as at 30 June 2016 (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 up until 14 September 2016.

1 Standing assets as at 30 June 2016

2 Development assets as at 30 June 2016

3 Assets on which the Group has exchanged conditional contracts or sites acquired subject to planning for which conditions or planning remained outstanding as at 30 June 2016

4 Assets acquired between 30 June and 14 September 2016

<p>01 Aberdeen Total students = 21,000 Empiric beds = 179 Centro Court – 56 beds St Peter Studios – 123 beds</p> <p>02 Bath Total students = 19,600 Empiric beds = 385 1–3 James Street West – 78 beds¹ Canal Bridge – 20 beds James House – 169 beds¹ Oolite Road – 31 beds Piccadilly Place – 47 beds Widcombe Wharf – 40 beds</p> <p>03 Birmingham Total students = 61,200 Empiric beds = 368 Brook Studios – 106 beds Edge Apartments – 77 beds The Emporium – 185 beds</p> <p>04 Bristol Total students = 40,000 Empiric beds = 159 College Green – 84 beds William & Matthew House – 75 beds¹</p> <p>05 Canterbury Total students = 37,000 Empiric beds = 79 Pavilion Court – 79 beds</p> <p>06 Cardiff Total students = 37,000 Empiric beds = 519 Alwyn Court – 51 beds Northgate House – 67 beds Summit House – 87 beds Windsor House – 314 beds¹</p> <p>07 Durham Total students = 14,000 Empiric beds = 109 St Margarets – 109 beds</p> <p>08 Edinburgh Total students = 45,000 Empiric beds = 88 Buccleuch Street – 88 beds</p> <p>09 Exeter Total students = 17,400 Empiric beds = 477 Bonhay Road – 150 beds City Service Station – 68 beds Dean Clarke Lofts – 30 beds Isca Lofts – 66 beds Library Lofts – 61 beds Picturehouse Apartments – 102 beds</p> <p>10 Falmouth Total students = 6,000 Empiric beds = 424 Maritime Studios – 138 beds Ocean Bowl – 286 beds</p>	<p>11 Glasgow Total students = 54,500 Empiric beds = 440 155 George Street – 89 333 Bath Street – 70 beds Ballet School – 103 beds Willowbank – 178 beds¹</p> <p>12 Hatfield Total students = 17,300 Empiric beds = 116 beds Curzon Point – 116 beds</p> <p>13 Huddersfield Total students = 15,000 Empiric beds = 277 Kingsmill Studios – 98 beds Oldgate House – 179 beds¹</p> <p>14 Lancaster Total students = 14,000 Empiric beds = 207 City Block 1 – 30 beds City Block 2 – 77 beds City Block 3 – 100 beds</p> <p>15 Leeds Total students = 51,000 Empiric beds = 323 Algernon Firth – 111 beds Pennine House – 127 beds St Mark's Studios – 85 beds</p> <p>16 Leicester Total students = 30,600 Empiric beds = 280 136–138 New Walk – 30 beds 160 Upper New Walk – 17 beds Bede Park – 59 beds City Block 1 – 98 beds City Block 2 – 76 beds</p> <p>17 Liverpool Total students = 43,000 Empiric beds = 382 Art School Lofts – 64 beds Chatham Lodge – 50 beds Grove Street Studios – 28 beds Haywards House – 74 beds Maple House – 147 beds The Octagon – 19 beds</p> <p>18 London Total students = 278,000 Empiric beds = 221 Francis Gardner Hall – 70 beds Grosvenor Hall – 72 beds Halsmere Studios – 79 beds</p> <p>19 Manchester Total students = 59,000 Empiric beds = 765 Ladybarn House – 117 beds Victoria Point 1 – 98 beds Victoria Point 2 – 85 beds Victoria Point 3 – 85 beds Victoria Point 4 – 84 beds Victoria Point 5 – 132 beds Victoria Point 6 – 77 beds Welsh Baptist Chapel – 87 beds</p>	<p>20 Newcastle Total students = 42,600 Empiric beds = 151 Claremont House – 88 beds¹ Metrovick House – 63 beds</p> <p>21 Nottingham Total students = 50,000 Empiric beds = 337 Tailbot Point – 77 beds¹ Talbot Studios – 98 beds The Frontage – 162 beds¹</p> <p>22 Oxford Total students = 32,000 Empiric beds = 44 Stone Mason House – 44 beds</p> <p>23 Portsmouth Total students = 18,000 Empiric beds = 283 Europa House – 242 beds Registry – 41 beds</p> <p>24 Reading Total students = 12,500 Empiric beds = 83 Saxon Court – 83 beds</p> <p>25 Sheffield Total students = 49,000 Empiric beds = 304 Portobello House – 134 beds¹ Provincial House – 107 beds Trippet Lane – 63 beds</p> <p>26 Southampton Total students = 31,000 Empiric beds = 219 Brunswick Apartments – 173 beds London Road Studios – 46 beds</p> <p>27 Stirling Total students = 9,000 Empiric beds = 204 Forthside – 204 beds</p> <p>28 St Andrews Total students = 9,600 Empiric beds = 241 Aytoun House – 241 beds</p> <p>29 Stoke-on-Trent Total students = 6,200 Empiric beds = 120 Caledonia Mills – 120 beds</p> <p>30 York Total students = 23,400 Empiric beds = 115 Lawrence Street – 115 beds</p>
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¹ Has reached or is expected to reach practical completion subsequent to the year-end in time for the start of the 2016/17 academic year.

Chairman's Statement

The financial year 2015/16 has been a successful one that has seen our Company continue its strong growth. As well as selectively increasing our portfolio of assets, we have taken great strides in developing our operations capability, creating a solid platform for the future.



Brenda Dean
Chairman

6.0p

Dividend paid for the year ended 30 June 2016

105.4p

NAV per share (basic) at 30 June 2016

4.6%

Total return per share (basic) at 30 June 2016¹

1.89p

Adjusted EPRA earnings per share (basic) at 30 June 2016

Overview

I am very pleased to introduce the financial results of Empiric Student Property plc ("Empiric" or the "Company" or, together with its subsidiaries, the "Group") for the year ended 30 June 2016. The Company again made significant progress during the financial year – we have increased our portfolio of purpose-built student accommodation to 7,396 beds (2015: 3,503 beds), funded by £286.4 million of gross equity proceeds and a further £120 million in debt. We also launched our operating platform, Hello Student®, and its website, hellostudent.co.uk.

The Company's market capitalisation as at 30 June 2016 was c. £540 million, with strong liquidity in its shares, benefitting from inclusion in the FTSE EPRA/NAREIT Global Developed Index (from March 2016) as well as the FTSE Small Cap/All Share Index.

The Company paid aggregate dividends for the financial year amounting to 6.0p per share compared to adjusted basic EPRA earnings per share of 1.89p (2015: 0.13p). We are targeting an annualised dividend of 6.1p per share for the next financial period (in line with our dividend growth target of not less than RPI) which we expect to be substantially, if not fully, covered by adjusted earnings per share from January 2017².

At the year-end, the Group owned or had committed to a significant, diversified portfolio of purpose-built student accommodation assets amounting to 75 buildings across 29 cities and towns in the UK – a result of the hard work of our executive team.

Performance Highlights

During the year to 30 June 2016, the Company raised gross equity proceeds of £286.4 million through three further equity fundraisings, all of which were priced at a premium to NAV and were significantly oversubscribed.

In addition, the Group secured a further £120 million of debt financing, of which £37.9 million was used to refinance existing debt. As at 30 June 2016, £155.9 million (excluding the Group's share of the debt relating to joint venture developments) was drawn down. We are pleased to have developed working relationships with several new lenders and, in line with our Investment Policy, we will continue to use leverage on a conservative basis to help drive our investment. As at 30 June 2016, the Loan to Value ("LTV") ratio was 22.7% (2015: 26.0%) (compared to a target of 35% and maximum of 40%), with a weighted average term to maturity for the debt of 9.7 years and a weighted average interest payable of 3.54%.

¹ See page 10.

² Shareholders should note that the figures in relation to dividends set out above are for illustrative purposes only and are not intended to be, and should not be taken as, a profit forecast or estimate.

This funding has enabled us to invest in, or commit to, a further 35 buildings with 3,879 beds in 19 towns and cities over the course of the year. The Group's portfolio of assets (including its share of joint venture properties) were individually valued by CBRE at £523.9 million as at 30 June 2016 (2015: £251.3 million). Of these properties, 52 (4,257 beds) were operational over the 2015/16 academic year with gross annualised rent of £33.1 million (2015: 29 standing assets with 2,290 beds and gross annualised rent of £18.4 million). The first two properties being developed on a forward funded basis or through our joint venture development with Revcap Advisors Limited ("Revcap") reached practical completion by September 2015 and now form part of our portfolio of standing assets.

With the dividend declared for the quarter ended 30 June 2016 of 1.5p per share, we have paid out dividends in respect of the financial year, equating to 6.0p per share (2015: 4.0p per share), in line with our stated target for the year. Of this, 1.45p per share was paid as a property income distribution ("PID") under the UK Real Estate Investment Trust ("REIT") rules.

In February 2016, we took a significant step forward in the development of our operations capabilities with the launch of our operating platform, Hello Student®, which will help us to manage the marketing, management and maintenance of our buildings much more efficiently and effectively. We believe that the benefits to the Group are twofold: cost savings through, amongst other things, the consolidation of service providers, plus an overall improvement in our marketing capabilities through a better understanding of our customers.

Change of Accounting Reference Date

In light of the Group's activities over the course of a year, the Board has concluded that an accounting reference date of 31 December is more appropriate and has approved this change. The Group's next audited results will be published for the six months to 31 December 2016.

The Board and Management

The achievements over the year are due to the hard work and commitment of our Executive Directors and their teams. Whether it has been securing finance, sourcing and delivering investment opportunities or developing a platform for the efficient operation of our properties, the Board remained committed to providing value to our investors throughout the course of the year.

In January 2016, Stuart Beevor joined the Board as an Independent Non-Executive Director. With over 35 years of real estate experience, including as managing director of Grosvenor Fund Management and as a non-executive director on the board of The Unite Group plc, Stuart's contribution to the Board has been invaluable.

In February 2016, Alexandra Mackesy stood down from the Board to follow her other interests and we wish her well for the future. Stuart Beevor has taken over her role as Chairman of the Remuneration Committee and he has also joined the Audit Committee.

Our Staff

As the Group has grown and developed, we have expanded our team, in particular with customer facing staff employed by Hello Student Management Limited, as we believe that it is important for these roles to be filled by Group employees who work as part of our team, are part of our corporate culture and are incentivised to promote the values of the Group. Our staff are key to the Group's success and I would like to thank them for their individual contributions.

Our Shareholders

As a Board, we are committed to maintaining an open channel of communication with all of our shareholders. As well as regular news updates, the Company's website provides detailed information for investors. The Executive Directors have met with a significant number of our institutional investors, including a programme of site visits, and I have held a number of informal meetings with key shareholders. Jim Prower, our Senior Independent Director, and I try to ensure that shareholders have direct access to us.

2025 Plan

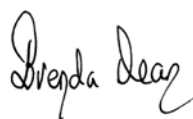
We are currently canvassing the views of our major shareholders in respect of our future strategy, looking forward to 2025. Any material change to our Investment Policy resulting from the 2025 Plan will be subject to a shareholder vote in a general meeting.

Outlook

At the time of this report, the country is still digesting the outcome of the EU referendum held in June 2016. While we cannot currently predict how the result of the referendum will impact on the country and the economy, we know that the UK Government remains committed to promoting UK higher education internationally, both in the EU (which represents only 6% of all full-time students in the UK) and further afield, in order to maintain the world-class reputation of our universities.

With the supply/demand fundamentals of the sector persisting, Empiric continues to be well positioned with our diversified property portfolio delivering further rental growth and investors are also expected to benefit from the potential value to be added from our developments completing, our attractive investment pipeline and through our Hello Student® operating platform and brand.

Empiric has grown substantially and the experience, knowledge and commitment of the whole team, with the support of the Board, provides a solid base for the future of the Company as we work towards our proposed 2025 Plan. It has been a pleasure to work with the staff, and I would like to thank them as well as my Board colleagues who bring their expertise and judgement to all of our discussions.



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

14 September 2016

Our Business Model and Strategy

Our Aim

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

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 2016?

Locations

We have mapped out 36 cities that are home to either Russell Group or other universities ranked highly by number of applicants per place. By June 2016, we had established a presence in 29 university cities and towns, including 28 from our original target 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.

Buildings

As at 30 June 2016, we had contracted on 75 property assets, of which 52 were operational, three developments had reached practical completion and a further ten were due to reach practical completion in time for the 2016/17 academic year. 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. The average number of beds per building is c. 100 but they range in size from a 19 bed standing asset which forms part of a cluster of assets in Liverpool to a 242 bed forward funded development in Portsmouth due for completion in September 2017.

Customers

Approximately 70% of the students residing in our properties are from outside the UK, with representation from 98 nationalities. 35% of the students are postgraduates, above the national average studying at that level. The age of our customers ranges from 17 to 63 years. Less than 4% 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 compared to other providers in the market.

Development of an Operating Platform to Optimise Value

During the year, we developed our own operating platform, Hello Student®, to provide marketing, management and maintenance services to our operating portfolio. Key to this is a new internal, centralised platform for our marketing and financial control functions, run nationally and which will connect our entire portfolio of operating properties, in order to optimise cash and operational management as well as present a consistent brand when marketing to our customers.

Future Outlook

With regional universities attracting large (and growing) numbers of students, we will continue to focus our attention on these 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 undersupply 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.

Since the period end, we have contracted on a further six assets, of which one is 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 efficiently through the acquisition of small portfolios which comprise suitable properties.

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

The Board is exploring other student accommodation opportunities within the UK market with a view towards our 2025 Plan.

In addition, we have started to employ, directly, our own building managers, assistant managers and community ambassadors to ensure a consistent level of service across the portfolio. A national facilities management company, Incentive FM, has been appointed to provide planned and emergency maintenance across the portfolio. As at 30 June 2016, 26 of 65 buildings which will be operational for the 2016/17 academic year had been migrated onto the Hello Student® platform. By September 2018, we plan to have all development and standing assets migrated to Hello Student®.

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

Financial

1 Total Return ("TR") to Shareholders

TR to shareholders is the ratio of growth in share price plus dividends paid as a percentage of the mid-market price at the start of the financial year.

Performance

4.6%

11.5% for the 12 months to 30 June 2015

The TR of the Group was 4.6% for the year to 30 June 2016, compared with -8.29% for the FTSE All-Share REIT Index for the year ended 30 June 2016. The Group's TR was negatively impacted by the volatility in the market following the EU referendum which caused the share price drop, but it has since recovered.

2 NAV Per Share (Basic)

The value of the Group's total assets less the book value of its liabilities attributable to shareholders.

Performance

105.4p

103.2p as at 30 June 2015

The Group's NAV per share grew by 2.1% over the year to 30 June 2016.

3 LTV Ratio

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 targets a 35% LTV but no more than 40%, measured at the time of draw down.

Performance

22.7%

26.0% as at 30 June 2015

4 Dividend Yield Against Target

Dividends paid to shareholders in respect of the year referenced to the IPO price per share paid by investors on launch of 100p.

Performance

6.0%

4.0% for the 12 months to 30 June 2015

The dividend yield per share based on the IPO price of 100p was 6.0% compared to a target for the year of 6.0%.

5 Earnings Per Share (Basic)

The post tax earnings generated that are attributable to shareholders.

Performance

7.29p

9.67p for the 12 months to 30 June 2015

6 Adjusted EPRA Earnings Per Share

Post tax adjusted EPRA earnings per share attributable to shareholders which includes the licence fee receivable on the Group's forward funded development assets.

Performance

1.89p

0.13p for the 12 months to 30 June 2015

EPRA Performance Measures

The table below shows additional EPRA performance measures which we provide to aid comparison of our performance with other European real estate businesses.

1 EPRA Earnings (Basic)

Earnings from operational activities.

Purpose

A key measure of a company's underlying operating results and an indication of the extent to which current dividend payments are supported by earnings.

Performance

£5.2m

£0.2m for the period to 30 June 2015

1.34p per share

0.13p per share (basic) for the period to 30 June 2015

2 EPRA NAV

NAV adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business.

Purpose

Makes adjustments to International Financial Reporting Standards ("IFRS") NAV to provide stakeholders with the most relevant information on the fair value of the assets and liabilities for a true real estate investment company.

Performance

£530.0m

£240.9m as at 30 June 2015

105.7p per share

103.4p per share (basic) as at 30 June 2015

3 EPRA Net Initial Yield ("NIY")

Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property net of (estimated) purchasers' costs.

Purpose

A comparable measure for portfolio valuations. This measure should make it easier for investors to judge how the valuation of portfolios compare.

Performance

5.5%

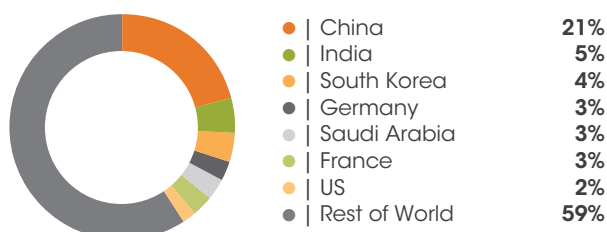
6.2% as at 30 June 2015

Our Market – Our Customers

The rapid expansion of the higher education sector is a global phenomenon and the internationalisation of higher education at a global level continues. UNESCO data indicates that, in 2013 (being the latest available data), there were 4.1 million internationally mobile higher education students around the world, double the number in 2000.

With approximately half a million students going abroad to study each year, China is the largest outbound student market in the world, representing one in five outbound students, and the number is continuing to rise.

Share of Students Enrolled Outside Their Country of Citizenship by Origin Country – 2013

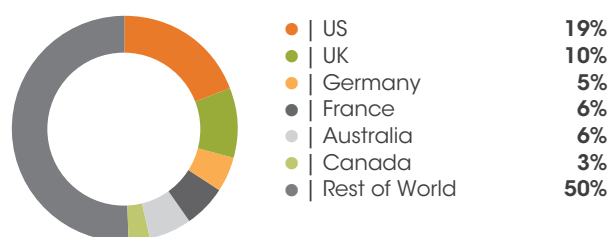


Source: UNESCO.

While there has been a decline in the flow of outbound students from India as a result of factors such as an expanding local higher education sector and local currency depreciation, other large origin countries are showing significant increases in outbound student numbers. For example, outbound students from Saudi Arabia in 2013 numbered 74,000, an increase of 15% compared to 2012. Likewise outbound students from Nigeria increased by 5% to 52,000 over the same period. From an EU perspective, outbound students from France amounted to 84,000 in 2013, an increase of 32% compared to 2012.

The UK is the second most popular destination for international students after the US, with a 10% share of the global market in 2013.

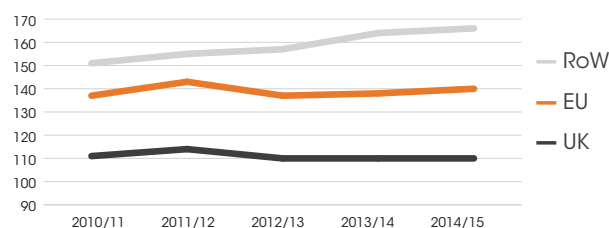
Share of Students Enrolled Outside Their Country of Citizenship by Destination Country – 2013



Source: UNESCO.

While the overall number of students enrolled in UK Higher Education Institutions ("HEIs") in 2014/15 of 2.27 million (the latest data available from HESA) declined by 1% compared to the previous year, this has been driven by a decline in part-time students (as a result of higher tuition fees and a tightening of visa restrictions) with the number of full-time students remaining unchanged at 1.7 million. A slight decline in UK full-time students was also offset by a 1% rise in students from the EU and the rest of the world.

Growth in Full-time Student Numbers by Domicile Indexed Growth (2005/06 = 100)

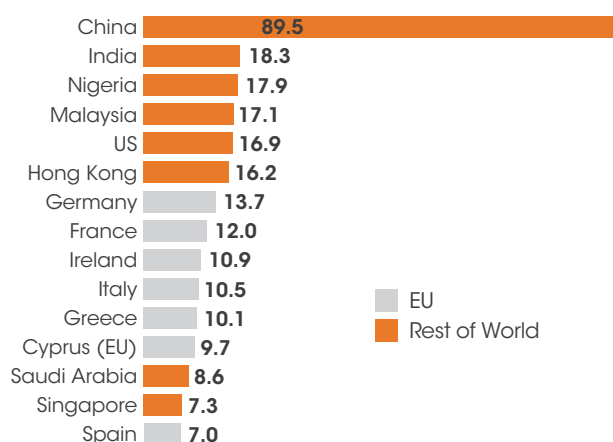


Source: HESA (2014/15).

Undergraduate enrolment at UK HEIs remained unchanged in 2014/15 at 1.39 million (approximately 82% of full-time enrolments), while postgraduate enrolment rose slightly to 305,000 driven largely by a 1.8% increase in postgraduate students from the EU.

The numbers of international students enrolled in HEIs in the UK reflect the trends of the global outbound market.

Total Number of International Students Enrolled in UK HEIs by Domicile ('000s)



Source: HESA (2014/15).

Data does not include writing up, sabbatical, visiting and exchange students.

HESA data also indicates that the international student enrolment in 2014/15 showed particularly strong growth from countries such as Indonesia (27%) and the Gulf states such as Oman, Kuwait and Qatar (all in excess of 20%).

These market dynamics are reflected in our customer base – 70% of our customers are international students, representing 98 different nationalities with the largest segment of students originating from China and the rest of the Far East.

Citizenship of Our Customer Base

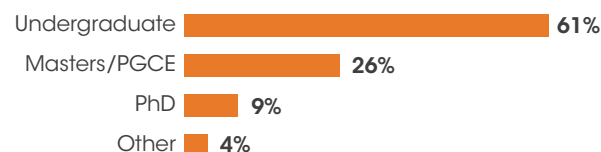


In January 2016, we commissioned a third party research project across a number of our properties in 19 locations. The objective of the research was to understand better the profile of our current customer base as well as to improve our understanding of the accommodation decision-making process and the student experience at our properties, principally in order to inform our marketing and brand strategy and support stakeholder communications. This research has provided valuable insight into our customer base, including how our customers reflect trends in the UK HEI sector.

Given the premium nature of our student accommodation, it appeals to international students as well as postgraduates and other more mature students (66% of our sample were over the age of 21) so, unsurprisingly, the proportion of UK students under the age of 20 and in their first year of undergraduate study was less than 4%. The research indicated a more significant proportion than expected of undergraduates, mainly in their second and third years of study.

The advantage for us is that, with the typical Masters student for instance, only staying at a particular university for one year, undergraduates represent a greater potential for rebooking.

Level of Study of our Customer Base

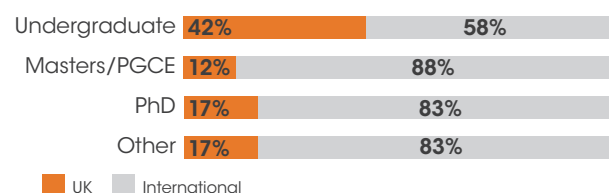


Source: Survey of tenants 2015/16.

Fieldwork and analysis by Research Stories.

Of the undergraduates living in Empiric accommodation, 42% were from the UK.

Citizenship of Our Customer Base by Level of Study



Source: Survey of tenants 2015/16.

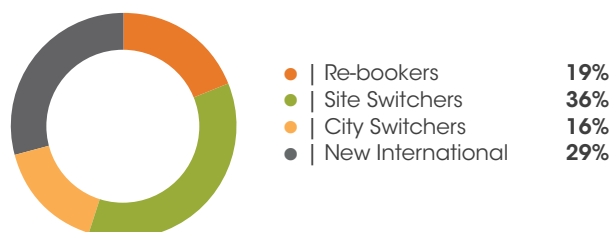
Fieldwork and analysis by Research Stories.

Our Market – Our Customers continued

In addition, the research showed that a significant proportion (some 71%) of our customers (both UK and international) were already living in the UK prior to the start of the 2015/16 academic year. This has significant implications for how and where we market our student accommodation. We, therefore, have segmented our target market based on an individual's previous experience and path to an Empiric building:

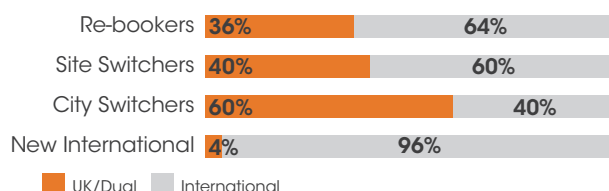
- **Re-bookers:** Typically undergraduates or PhD students who were in the same accommodation during the previous year. They are strong advocates of a building and early bookers.
- **Site Switchers:** Typically second or third year undergraduates, including international students, moving between accommodation in the same town. They book early based on local knowledge with a high likelihood to recommend and re-book.
- **City Switchers:** Typically first year undergraduates and postgraduates, often UK citizens, moving from other towns in the UK. They rely on student accommodation websites and book late without much local knowledge. They have high expectations.
- **New International:** The core target market of international students in the UK. Typically Masters level, they have little prior knowledge of the UK and rely heavily on online information. They book late and have a low likelihood to re-book because they only study in the UK for one year.

Segmentation of Our Customer Base



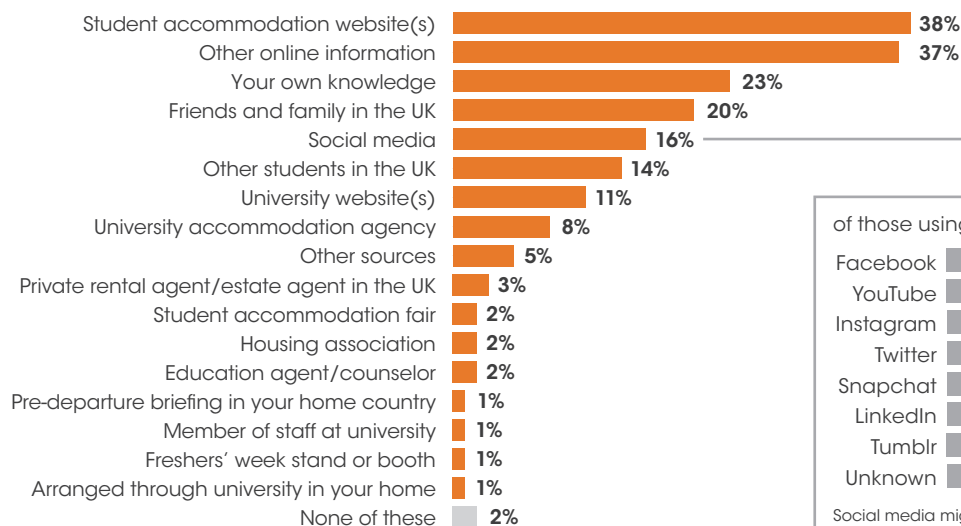
Source: Survey of tenants 2015/16.
Fieldwork and analysis by Research Stories.

Citizenship of Our Customer Base by Segments



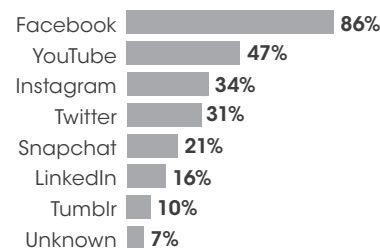
Source: Survey of tenants 2015/16.
Fieldwork and analysis by Research Stories.

Sources of Information About Current Accommodation



Source: Survey of current tenants 2015/16; Fieldwork and analysis by Research Stories.

of those using social media:



Social media might have been used for other purposes as well.

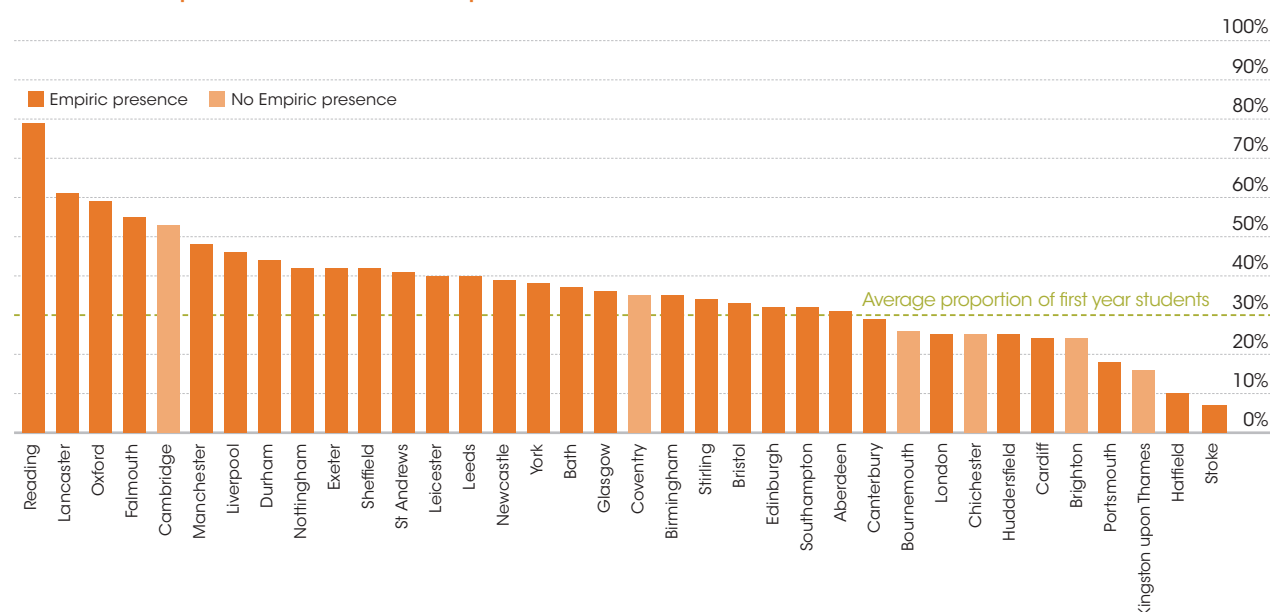
This knowledge has helped us to inform our marketing and brand strategy – not only focusing on our presence in the international markets but developing a national brand to target City and Site Switchers. Information gleaned from the research also provided valuable insight into where prospective customers obtain information on student accommodation.

The importance of the internet and social media cannot be ignored and we are building a significant online presence. Further details of our marketing initiatives are set out in the Chief Executive Officer's Operations Review on pages 30 to 34.

As well as determining where our customers come from, we have also been looking into where they are likely to study.

At IPO, we identified 27 university towns and cities with mainly Russell Group universities and other highly popular universities where the student population had limited access to purpose-built accommodation. We have since expanded our list of target locations to 36 and we continue to assess the higher education sector, in particular which universities are investing in future growth and attracting increasing numbers of students.

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 36 top tier university cities and towns targeted by the Company.

Key to this is the financial health of the HEIs which, according to a 2014/15 report by The Higher Education Funding Council into the financial situation of universities in England, had improved compared to 2013/14 and against expectations. Overall, the sector reported an operating surplus of £1.6 billion, equivalent to 5.8% of income. The report also found that there was significant variation in the financial performance of individual institutions and not necessarily favouring established Russell Group institutions. Analysis suggests that some newer HEIs, for example the University of Huddersfield, are running the highest operating surpluses. The expectation is that this variation is set to continue, with the gap between the highest and lowest performing HEIs widening in the forecast period to 2017/18.

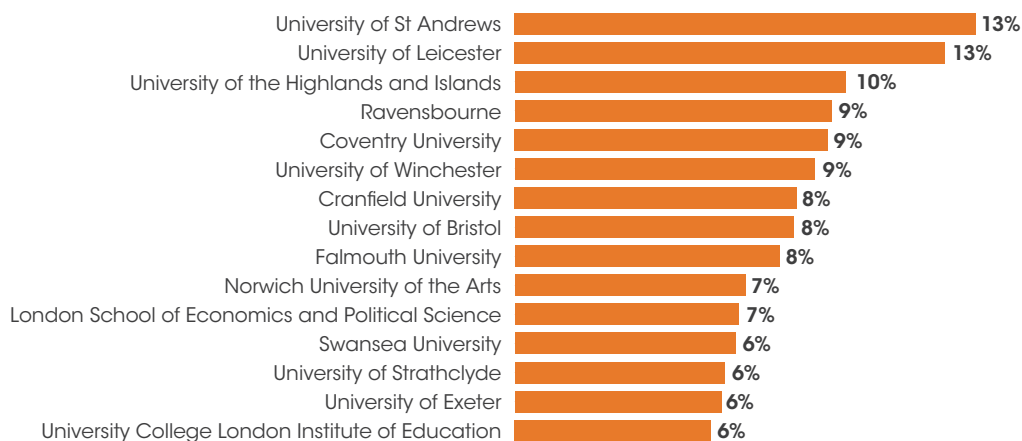
Financial health enables capital investment, forecast to be at over £17.1 billion for the four years to 2017/18 in England alone, which is necessary as HEIs strive to maintain their global competitiveness. This is particularly important as changes to government and EU funding is forcing universities to become more reliant on tuition fees, particularly from international students.

With investment comes growth, and it is several of the regional non-Russell Group universities that are among those showing the largest increase in full-time student numbers as illustrated overleaf. It should be no surprise, therefore, that a number of these HEIs are located in the towns and cities that we target.

Our Market – Our Customers continued

Fastest Growing Universities by Full Time Student Enrolment

Top 15 universities by % change in numbers 2014/15 versus 2013/14



Source: HESA 2014/15 and 2013/14. Data refers to full-time students only.

Data does not include writing up, sabbatical, incoming/visiting and exchange students.

NB: The Institute of Cancer Research was left out from the list of top 15 (7%) due to its size (80 full-time students enrolled in 2014/15).

Birbeck College was left out from the list of top 15 (22%) due to its special status of providing evening courses only.

The expectations, however, of students are changing. They demand higher value for their money in every aspect of the student experience from tuition and facilities through to accommodation. With finite resources available to them, universities are having to become more sophisticated in their approach to asset management, investment and partnership, resulting in a growing number of opportunities for the private business sector to work in conjunction with the universities to develop alternative business models, including in respect of accommodation.

It is these opportunities that are driving the continued transformation of purpose-built student accommodation from a niche, alternative asset class within the overall residential property sector, to an increasingly mainstream investment proposition. There is growing appetite for this asset class from global institutions and, in 2015, investment in the UK surpassed that of North America for the first time.

There are challenges facing the sector, principally, as a result of the UK's political landscape, including the tightening of visa restrictions for students and, most recently, the vote for the UK to leave the EU. With EU students making up only 6% of full-time students in the UK, exposure to this market is limited and, with strong demand from international students outside of the EU, it is likely that the sector should prove resilient to the change.

The fundamentals of the sector, such as the persistent supply/demand imbalance, that have historically resulted in the purpose-built student accommodation sector proving less volatile than commercial, remain the same.

At Empiric, we continue to assess the higher education sector in the UK to ensure that our business model, now and in the future, enables us to capitalise on the opportunities that exist in the purpose-built student accommodation market.



1



2

- 1 Communal kitchen and dining facilities at Saxon Court, Reading, acquired as a standing asset in March 2016.
- 2 Ballet School, Glasgow, acquired as a standing asset in March 2015.



3

- 3 The Registry, Portsmouth, acquired as a standing asset in August 2015.
- 4 Our typical high specification studio.



4

Chief Executive Officer's Q&A



Paul Hadaway
Chief Executive Officer

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During the year to 30 June 2016 we more than doubled the number of beds, trebled income generated and saw the value of our property portfolio increase by 108%.

”

Q Empiric has performed well for the financial year ended 30 June 2016. What are the key features of the Group's performance?

A Empiric is a growing company and during the year to 30 June 2016 we more than doubled the number of beds, trebled income generated from the portfolio and saw the value of our property portfolio increase by 108% compared to 30 June 2015. Key for me has been the strength of the impact of the first tranche of the Group's development assets reaching practical completion and what this represents in terms of Empiric's future performance.

From IPO we have invested in both operational and development assets. At the outset we envisaged that developments would consist of an equal number of Empiric forward funded third party developments ("forward funded assets") and direct developments with our joint venture partner, Revcap ("JV developments"). It has become clear that, whilst the direct developments generate a higher yield on cost, forward funded assets generate a better risk adjusted return with far lower management input. The forward funding package we offer is attractive to developers, providing efficiency and exit certainty, and has resulted in several follow-on acquisitions with developers around the country. This has meant that many of our acquisitions are now with known counterparties and are not only off-market, but also without an introducing agent – saving transaction costs for the further benefit of our shareholders.

At the time of our first annual results for the period ended 30 June 2015, we had not reached practical completion on any of our development assets so we were projecting the anticipated performance of forward funded assets, based on management appraisals (we model a projected yield on cost of 7.5%).

In August/September 2015, Kingsmill Studios in Huddersfield (a forward funded asset), Brunswick House in Southampton (a JV development) and Library Lofts in Exeter (a forward commitment) reached practical completion with yields on cost of 7.5%, 7.2% and 6.3%, respectively. For the first time, the Company benefited from these uplifts in value as assets moved from development to operation at 31 December 2015. The latest valuation (at 30 June 2016) included another three newly completed properties (St Peter Street, Aberdeen; Buccleuch Street, Edinburgh; and Metrovick House, Newcastle) and ten are planned to reach practical completion in time for the 2016/17 academic year. In aggregate, our development activity has contributed 48.4% to the value uplift of our portfolio.

We anticipate that these latest ten assets to reach practical completion will have a further positive impact on NAV and income in the coming financial year. Looking further forward, we currently have another tranche of eight development assets for the 2017/18 academic year, amounting to 1,057 beds.

Q The Company has delivered on its target dividend of 6p per share in respect of the year ended 30 June 2016. What is your strategy on dividends and returns, generally, going forward?

A The Company has grown steadily in the two years since its IPO in June 2014 and that growth has been underpinned by the support of our shareholders. A key attraction for our shareholders is the income derived from their investment through the payment of a regular dividend as well as capital appreciation.

As a growing business, we have regularly raised equity capital and those funds have been committed swiftly into our increasing portfolio of assets. Inevitably there is an element of “cash drag” though we have sought to minimise this through these smaller, more frequent equity fundraisings on the back of robust pipelines of attractive investment opportunities.

The Board is committed to paying shareholders a regular, sustainable and growing (at least in line with RPI) dividend, together with the potential for capital appreciation over the medium to long term. In order to achieve this, we manage the proportion of investment into income producing, standing assets versus development assets which have the potential to produce superior capital returns.

We also leverage our investments by securing long-term debt on standing assets and, since the year-end, development debt on forward funded assets; recycling equity capital for further acquisitions and replacing it with more cost effective capital (the Group’s weighted average interest payable at 30 June 2016 was 3.54%). The Group’s LTV as at 30 June 2016 was 22.7% (2015: 26.0%) compared to a long-term LTV target of 35%.

Q You have previously talked about improving the Group’s net operating income. What progress has been made on this and how is it being achieved?

A One of our IPO targets was to acquire 300–400 beds per town or city where Empiric has a presence to allow us to benefit from efficiency gains. As we have acquired new assets, particularly standing assets, we have also inherited incumbent managers, existing facilities management arrangements with ad hoc utilities contracts, internet suppliers and maintenance agreements. As a result, there are often initial restructuring costs involved to achieve those targeted levels of efficiency.

Over the past 12 months, we have undertaken a number of initiatives to improve the net operating income generated by our portfolio of standing assets, including:

- reducing the number of property managers with whom we work and starting to bring the management of a number of the Group’s properties in-house;

- negotiating portfolio-wide deals on utilities, for instance high speed broadband which is of critical importance to our customers, which enables us to offer a superior service for our customers but at a lower cost to the Group; and
- migrate the facilities management to specialist out-sourced service provider, Incentive FM, which has an existing national network and is able to undertake the day-to-day maintenance and repairs across our standing assets on a more efficient and cost effective basis.

These developments have been undertaken under the banner of our operating platform, Hello Student®. As at 30 June 2016, the Group was already starting to see the benefits coming in the future from these initiatives.

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We are aiming to improve net operating income by up to 5% over the next three years.

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Q Tell us more about Hello Student®.

A The genesis of Hello Student® was our desire to bring more of the operational side of the business under our control, and to bring us closer to our customers and our managers. Hello Student® brings the marketing, management and maintenance together under one, branded platform.

The Hello Student® brand speaks directly to our customers – students – raising our profile and bringing coherence to our offering. The principal marketing tool for this is the hellostudent.co.uk website which was launched in February 2016.

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The Hello Student® brand speaks directly to our customers – students.

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The website provides prospective customers – first-time residents, re-bookers, re-locators and referrals – with details of all our standing assets as well as useful information on the town or city in which they are planning to study. From a marketing perspective, the website presents a strong brand image, quintessentially British, which our research indicates is appealing to our key target markets.

Behind the website is a bespoke, integrated booking and accounting engine. Direct booking is enabled for the majority of buildings which are currently managed through Hello Student® with customers redirected to our

Chief Executive Officer's Q&A continued

incumbent management partner firms' booking facilities for the remaining buildings. We aim to have our entire portfolio being marketed exclusively through the Hello Student® website by the beginning of the 2018/19 academic year.

A further development is the Hello Student® app with an anticipated roll-out across the whole of the UK from September 2017, following an initial trial in Nottingham. The app for hand-held devices will be a multi-functional tool for the use of customers, creating a direct link to the property and facilities management teams, enabling them to request basic amenities or additional chargeable services. The app will also facilitate communication between our customers, building communities, which we believe will enhance our marketing programme by encouraging re-bookings and referrals.

While the marketing and communication capability of Hello Student® is important, there are also cost and operational advantages, mentioned previously, such as planned and reactive maintenance for Hello Student® through Incentive FM, giving us national buying power and a single point of programming and planning.

Another key feature, which we believe will become more apparent as we progress, is that the Hello Student® regional, city and building managers work directly for the Group giving a sense of belonging and ownership, with a career path. This enables us to instil our values and positive, entrepreneurial corporate culture throughout the organisation, from Board level through to the customer interface.

Further information on Hello Student® is set out in my Operations Review (see pages 30 to 34).

Q With the increase in the number of properties acquired over the year, has there been a change in Empiric's customer base?

A For the 2015/16 academic year, our customer base comprised 69% international students from 98 countries, and 78% were students beyond their first year of study which is strikingly similar to the respective statistics from the previous academic year (2015: 69% international students from 83 countries and 79% post first year undergraduate). The age range of our customers is 17–63 years old (2015: 18–49) with less than 4% of our customers under 20 in their first year of study and from the UK (2015: 2%).

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Our customer base comprised 69% international students from 98 countries.

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In January 2016, we commissioned our own research into our customer base. We have come a long way since the days when Tim Attlee and I owned one student accommodation building and we were able, personally, to canvass our customers to assess what we were doing right and what needed to change. However, with 7,904 beds contracted (as at 14 September 2016), it is now even more critical for Empiric to know its customer base to ensure that: the facilities the Group provides match the requirements of our target market; we understand how those requirements change over time; and we focus our marketing activities in order to achieve the best possible return on this expenditure.

This research has highlighted some interesting information and further detail on this, as well as the student accommodation market, in general, is set out in the report on Our Market – Our Customers (see pages 12 to 17). A key area of interest to us is the high proportion of students (71%) who originally come from overseas jurisdictions but who were already in the UK before the start of the 2015/16 academic year. In terms of our business model, therefore, we are adjusting our marketing focus not only to target international students in their home countries but to build our Hello Student® brand across the UK so that we can attract students who are already here, either in another city or in another property.

Q How do you see the student accommodation market developing in the future?

A Higher education is one of the UK's top exports and, notwithstanding the current uncertainty in the macro-economy as a result of the Brexit vote in June 2016, the UK Government is committed to maintaining the UK's world-class status in higher education. There were around two applicants for every place accepted by an international first year student in 2015, suggesting that significant shrinkage in application numbers could be absorbed before acceptance numbers would suffer.

The most notable recent development in the higher education sector was the lifting of the UK Government's cap on the numbers of UK and other EU students in 2015. Figures from UCAS on first year acceptances for the 2015 cycle showed that an increase of over 11% for EU (excluding the UK) students compared to the previous year, indicating a rise in the number of EU students coming to the UK. These statistics also show an increase in the number of non-EU students and while this increase was relatively small year-on-year, acceptances are up nearly 40% compared to ten years ago.

International students, however, made up less than a quarter of the full-time student population in the UK in the 2014/15 academic year and only 13% of the first year acceptances in the 2015 cycle. The number of UK students has also showed steady growth, with 33% of school leavers now going to university (compared to 7% a generation ago) and increasing numbers going on to second degrees.



HOW WE DO IT:

Marketing in the UK – Nottingham

In January 2016, Empiric commissioned a third party research report to better understand the profile of our customer base including their circumstances prior to moving into one of our buildings. A significant factor identified by the research was that 71% of our existing customers had been in the UK in the year prior to the 2015/16 academic year, notwithstanding their country of origin. There were three distinct groups identified within this segment – “City Switchers” (students living in another city), “Site Switchers” (students in another building in the same city) and “Re-bookers” (students in the same building).

It became clear that our main marketing focus has to be in the UK as well as targeting new international students in their home countries with a UK-wide brand as a powerful tool for marketing our properties to students (and prospective students) already here. This means that, as well as Re-bookers, we can reach City and Site Switchers to whom consistency of quality across the portfolio is important but who, in the case of Site Switchers, may be looking for something a little different in the same city.

With one operational building, Talbot Studios (98 beds), and two developments, Talbot Point (77 beds) and The Frontage (162 beds), which will also be operational for the 2016/17 academic year, all of which are managed under the Hello Student® platform, Nottingham has proved an ideal city to monitor these booking behaviours.

As at 31 July 2016, only five months after the launch of the Hello Student® website, 26 of Talbot Studios' 98 customers who were resident in the 2015/16 academic year had re-booked a bed for 2016/17. Two 2015/16 customers had booked beds in Talbot Point across the road and five had booked beds in The Frontage, the redevelopment property with an attractive Grade II listed façade. One customer whose postgraduate course is taking him to Aberdeen, had booked a bed in St Peter Studios, our development property in Aberdeen which has become operational for the 2016/17 academic year.

While these numbers are small, we believe they demonstrate that the potential to drive bookings, re-bookings and referrals from within our existing portfolio is great.

Chief Executive Officer's Q&A continued

As a result, universities are focused on spending more on teaching facilities and research to maintain their competitiveness, rather than investing in accommodation for their students. We expect that this theme will continue and that the private sector will need to continue to address the shortfall in the supply of accommodation. This is where Empiric positions itself.

Q What are the implications for Empiric's future?

A As at 30 June 2016, we had contracted on 7,396 beds, with a further 508 beds contracted since the year-end. With the remaining proceeds from the equity fundraising undertaken in February 2016 and having raised a further £63.4 million in debt subsequent to the year-end, we expect to reach our original target of 10,000 beds in the near term, all of which should be operational by September 2018. We see the developments in the market as a great opportunity for the Company and we have been looking at several areas for future growth.

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At 30 June 2016, we had contracted on 7,396 beds.

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Empiric has been described as a niche player in the student accommodation market, owning and operating premium purpose-built student accommodation targeting international and/or more mature students. We still believe that this is a significant “niche” market which will continue to present us with tremendous opportunities. However, we also know that there are other “niche” markets within the student accommodation sector which we believe should provide equally good prospects.

For example, with the focus of universities on funding their teaching and research programmes, together with building world-class facilities, we see various prospects to work more with the universities. This may be as simple as looking at more nominations arrangements, similar to the few we already have in place in Bath and Falmouth where beds are still direct-let to students at market rates but where the university markets the beds and guarantees full occupancy or through more direct relationships with the universities.

We have also been looking more closely at UK-based students and we have identified groups who we believe are not adequately provided for by current suppliers of private purpose-built student accommodation. A key theme at recent property conferences has been the provision of accommodation for students from less affluent backgrounds. At the other end of the spectrum, we are exploring demand for premium accommodation from UK students and other “sharers” from wealthier backgrounds.

We are exploring these prospects with a view to diversifying further within the student accommodation sector and evolving into a closely targeted “multi-niche” player, leveraging our experience and infrastructure, for our 2025 Plan. We are currently canvassing the views of our major shareholders and any material change to our Investment Policy will be subject to a shareholder vote in a general meeting. Whatever the future holds for Empiric, our focus will remain on providing value for our shareholders through regular, sustainable income returns and capital appreciation.

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Empiric has been described as a niche player.

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- ① Outside courtyard of Ballet School, Glasgow, to be shared by Willowbank.
- ② Studio room at Ballet School, acquired as a standing asset in March 2015.



- ③ Games room at 333 Bath Street, Glasgow, acquired as a newly redeveloped asset in September 2015.
- ④ Algernon Firth, Leeds, a conversion of a Grade II listed building acquired as a standing asset in January 2015.



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 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 development of new buildings or refurbish or convert student accommodation with other development partners, through forward funding third party developers 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 NAV 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 Group'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 8 and 9.

Chief Investment Officer's Portfolio Review

Over the year to 30 June 2016, our portfolio doubled in size to 7,396 beds contracted across 75 buildings in 29 prime university towns and cities. At the year-end, 52 buildings were operational and three developments had reached practical completion with ten further developments also planned to reach practical completion for the 2016/17 academic year.

Overview

The Company has continued to grow selectively its portfolio of premium, student accommodation assets, more than doubling the number of rooms contracted over the year to 30 June 2016. We have built a reputation as a reliable acquirer of standing assets and reliable funding partner on development assets. As a result, we are seeing more off-market transactions at competitive prices and the relationships we have formed with developers are leading to further transactions negotiated directly with these developers. Not only does this reduce acquisition costs (specifically, fees paid to third party introducers) but, importantly, we are working with development partners who know our design specifications and we can be sure will develop properties to our high standards.

We have expanded Empiric's presence across the UK with assets in 29 prime university towns and cities at the year-end and we have also built our portfolios within key centres, either on an asset by asset basis (both operational and development assets) or through portfolio acquisitions. We target 300–400 beds per town or city, across multiple buildings, as we believe that this provides us with suitable scale to achieve operational efficiencies while enabling us to offer slightly different, distinctive accommodation to our customers.

While we were very active in acquiring assets, we also decided to withdraw from one conditional contract entered into in the previous financial year, Framwellgate House. Our investment team concluded that, given the specifics of the proposed contract, the Company's funds would be better invested in alternative projects. A key function of our investment team is to determine which of the vast number of proposals introduced to Empiric best meet the Company's investment objectives and which do not. On occasion, we recommend to the Board that we do not proceed with an acquisition where we believe that the conditions to a contract are not capable of being met (at all or within a reasonable timeframe) so that committed funds can be deployed elsewhere.

Assets

During the year to 30 June 2016, the Group invested in, or committed to, the freeholds (unless otherwise stated) of 35 assets, comprising a mix of operating properties, forward funded assets (funding of third party developments in return for a discount on the acquisition price) and a development project (to be developed by the Group directly), with an aggregate price of £251.2 million (including acquisition costs) (2015: 37 assets with an aggregate price of £228.5 million (including acquisition costs)).

The Group had also exchanged conditional contracts on three further properties (mainly forward commitments acquired subject to practical completion), for which the outstanding conditions had not been met as at 30 June 2016, with an aggregate price of £72.6 million (excluding acquisition costs) (2015: two assets with an aggregate price of £17.8 million (excluding acquisition costs)). In addition, the Group had exchanged conditional contracts on three further sites for development, subject to receipt of planning consent.

As at 30 June 2016, the Group owned, or was committed on, a total of 68 assets (representing 6,191 beds) (2015: 37 assets representing 3,503 beds) and had exchanged conditional contracts, including on sites subject to planning permission being obtained, (with the conditions or planning remaining outstanding at the year-end) on a further seven assets (representing 1,207 beds) (2015: three assets representing 229 beds), in a total of 29 towns and cities.

Summaries of these properties are set out in Tables 1 and 2 on pages 26 and 27.

Chief Investment Officer's Portfolio Review

continued

Table 1 - Operating Assets (and those that had Reached Practical Completion) as at 30 June 2016 (55 in Total)

Name	Location	Number of Beds	Date of Acquisition or Practical Completion	Purchase Price (£m)	Net Yield on Acquisition or Cost	Valuation Yield
Centro Court	Aberdeen	56	September 2014	6.5	6.8%	5.9%
St Peter Studios ¹	Aberdeen	123	June 2016	13.7	7.0%	6.0%
Canal Bridge	Bath	20	November 2015	1.7	5.9%	5.5%
Widcombe Wharf	Bath	40	November 2015	3.9	5.5%	5.3%
Piccadilly Place	Bath	47	November 2015	3.6	5.9%	5.5%
The Brook	Birmingham	106	July 2014	12.0	6.5%	5.7%
Edge Apartments	Birmingham	77	August 2014	8.9	7.0%	5.7%
College Green ²	Bristol	84	July 2014	10.0	6.7%	5.7%
Summit House	Cardiff	87	July 2014	9.6	7.0%	5.8%
Alwyn Court	Cardiff	51	October 2014	3.5	6.4%	5.9%
Northgate House	Cardiff	67	February 2015	5.2	7.0%	6.0%
St Margaret's Flats	Durham	109	May 2015	5.1	7.5%	6.4%
Buccleuch St ¹	Edinburgh	88 ³	June 2016	8.5	8.1%	5.6%
Picturehouse Apartments	Exeter	102	July 2014	11.4	6.3%	5.8%
Dean Clarke Lofts ⁴	Exeter	30	December 2014	4.5	6.6%	5.7%
Library Lofts	Exeter	61	September 2015	6.1	6.3%	5.7%
Maritime Studios	Falmouth	138	August 2015	8.8	6.5%	6.1%
Ballet School	Glasgow	103	March 2015	11.9	6.7%	6.2%
333 Bath Street	Glasgow	70	September 2015	7.4	6.5%	6.1%
Curzon Point ⁵	Hatfield	116	December 2014	9.2	6.4%	5.8%
Kingsmill Studios	Huddersfield	98	September 2015	7.5	7.5%	6.1%
City Block 1	Lancaster	30	May 2015	2.1	6.1%	5.9%
City Block 2	Lancaster	77	May 2015	5.6	6.1%	5.9%
City Block 3	Lancaster	100	May 2015	7.9	6.1%	5.9%
Algernon Firth	Leeds	111	January 2015	7.2	6.6%	5.7%
St Mark's Court	Leeds	85	March 2015	7.1	6.0%	5.8%
Pennine House	Leeds	127	June 2016	17.8	6.6%	5.9%
City Block 1	Leicester	98	May 2015	6.2	6.3%	6.2%
City Block 2	Leicester	76	May 2015	4.8	6.3%	6.2%
160 Upper New Walk	Leicester	17	May 2016	1.7	6.1%	6.3%
136-138 New Walk	Leicester	30	May 2016	2.9	6.0%	6.2%
Bede Park	Leicester	59	May 2016	3.7	6.2%	6.2%
The Octagon	Liverpool	19	June 2015	2.0	6.4%	6.2%
Grove Street Studios	Liverpool	28	June 2015	2.7	6.5%	6.2%
Chatham Lodge	Liverpool	50	June 2015	3.9	6.5%	6.2%
Art School Lofts	Liverpool	64	June 2015	8.4	6.3%	6.0%
Hayward House	Liverpool	74	June 2015	5.4	6.3%	6.0%
Maple House	Liverpool	147	June 2015	12.9	6.3%	6.0%
Halsmere Studios	London	79	February 2015	13.3	6.4%	5.1%
Ladybarn House	Manchester	117	March 2016	10.3	6.3%	6.1%
Victoria Point 1	Manchester	98	April 2016	29.5	5.6%	5.7%
Victoria Point 2	Manchester	85	April 2016	-	-	-
Victoria Point 3	Manchester	85	April 2016	-	-	-
Victoria Point 4	Manchester	84	April 2016	-	-	-
Victoria Point 5 ⁶	Manchester	132	April 2016	-	-	-
Victoria Point 6	Manchester	77	April 2016	-	-	-
Metrovick House ¹	Newcastle	63	May 2016	7.4	6.5%	6.3%
Talbot Studios	Nottingham	98	September 2014	8.2	6.9%	5.8%
Stone Mason House	Oxford	44	May 2016	4.5	5.1%	5.0%
Registry	Portsmouth	41	August 2015	4.5	6.5%	6.3%
Saxon Court	Reading	83	March 2016	13.0	6.0%	5.7%
London Road ⁷	Southampton	46	November 2014	3.6	7.0%	5.9%
Brunswick Apartments	Southampton	173	September 2015	16.7	7.2%	5.9%
Ayton House	St Andrews	241	December 2015	26.0	5.5%	5.3%
Caledonia Mill	Stoke-on-Trent	120	June 2015	6.3	6.5%	6.1%
Total/average yield		4,531		404.4	6.4%	5.9%

1 Reached practical completion as at the date indicated but was not operational as at 30 June 2016.

2 150-year lease, started in August 2010.

3 In June 2016, the Group acquired a retail site adjacent to the Buccleuch Street building which will be converted to provide, inter alia, an additional two studios resulting in a total of 88 beds for the property with an estimated total project cost of £0.65 million (not included in the price above).

4 999-year lease, started in March 2014.

5 199-year lease, started in December 2014.

6 This building is to be significantly refurbished and, therefore, will not be operational for the 2016/17 academic year.

7 Freehold/leasehold

The portfolio of 52 operating properties (2015: 29) was fully let for the 2015/16 academic year. The gross annualised rent for these properties was £33.1 million (2015: £18.4 million), of which £0.9 million (representing 2.7% of the gross annualised rent) was attributable to commercial revenue (2015: £0.8 million representing 4.4% of gross annualised rent). We have targeted an average uplift in annual rents of 2.78% for the 2016/17 academic year (2015/16: 3.0%).

The average net yield on acquisition of the operating properties, or on cost for those development assets that had reached practical completion, as at 30 June 2016 was 6.4% (2015: 6.6%). The average valuation yield as at 30 June 2016 was 5.9% (2015: 6.1%).

Table 2 Forward Funded and Development Assets as at 30 June 2016 and Forward Commitments and Sites Acquired Subject to Planning (20 in Total)

Name	Location	Proposed Number of Beds	Date of Acquisition	Price Paid or Total Investment to Completion (£m)	Estimated Completion Date
Forward Funded Projects					
William & Matthew House ¹	Bristol	75	April 2015	8.3	September 2016
Bonhay Road	Exeter	150	September 2015	12.3	October 2017
155 George Street	Glasgow	89	November 2015	9.5	September 2017
Oldgate House ¹	Huddersfield	179	May 2015	11.3	September 2016
Welsh Baptist Chapel	Manchester	87	May 2015	8.3	September 2017
The Frontage ¹	Nottingham	162	October 2015	18.7	November 2016
Talbot Point ¹	Nottingham	77	February 2015	5.9	September 2016
Europa House	Portsmouth	242	April 2016	21.9	September 2017
Trippet Lane	Sheffield	63	April 2016	5.4	September 2017
Portobello Road ¹	Sheffield	134	August 2015	11.6	September 2016
Lawrence Street	York	115	March 2016	10.7	September 2017
Development Project					
Willowbank ¹	Glasgow	178	December 2014	7.05 ²	September 2016
Provincial House	Sheffield	107	December 2015	11.6	September 2017
Total		1,658		142.6	
Forward Commitments and Sites Acquired Subject to Planning					
1-3 James Street West ^{1,3}	Bath	78	August 2015	7.65 ⁴	September 2016
James House ^{1,3}	Bath	169	August 2015	25.0 ⁴	September 2016
Windsor House ^{1,3}	Cardiff	314	November 2015	41.0 ⁴	August 2016
Well Street ⁵	Exeter	68	–	–	September 2018
Ocean Bowl ⁵	Falmouth	286	–	–	September 2018
Claremont Place ^{1,3}	Newcastle	88	May 2015	10.9 ⁴	October 2016
Forthside ⁵	Stirling	204	–	–	September 2017

1 Subsequent to the year ended 30 June 2016, these assets have or are planned to reach practical completion and will be operational for the 2016/17 academic year.

2 Development is being undertaken as a joint venture with Revcap and total investment to completion figure excludes Revcap's contribution.

3 The Group had exchanged contracts on this property though certain conditions had not been satisfied as at 30 June 2016.

4 Purchase price on acquisition.

5 The Group had exchanged contracts on this site, subject to planning consent being obtained. Planning consent had not been obtained as at 30 June 2016.

Chief Investment Officer's Portfolio Review

continued

Valuation

Each individual property in the Company's property portfolio has been valued by an external valuer, CBRE, in accordance with the RICS Valuation – Professional Standards January 2014 (the "Red Book").

As at 30 June 2016, the Group's property portfolio had a market value of £514.2 million (excluding the joint venture interests and the value of properties on which only conditional contracts had been exchanged at the year-end) (2015: £239.8 million). Of this, £443.4 million was attributable to operating assets or those which had reached practical completion, an increase of 4.7% in value compared to the aggregate purchase price or cost of development of £423.2 million (2015: £218.8 million, an increase of 4.3% compared to purchase price of £209.7 million). The aggregate valuation attributable to the forward funded and development assets that had unconditionally exchanged was £70.75 million, which is based on progress of the development of the assets to 30 June 2016.

The Group had also exchanged conditional contracts on seven properties and sites for which conditions (e.g. practical completion or planning consent) remained outstanding as at 30 June 2016 and, therefore, the value of these properties has not been included in the aggregate valuation of the Group's property portfolio as at 30 June 2016.

Post Balance Sheet Events

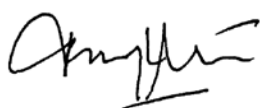
Since the period end, we have announced the acquisition of five assets which were operational and one forward funded development property which, together, represent a further 508 beds. Details of these acquisitions are set out in Table 3 below.

Table 3 – Assets Acquired Since 30 June 2016 to Date (Six in Total)

Name	Location	Number of Beds	Date of Acquisition	Price Paid or Total Investment to Completion (£m)	Estimated Completion Date	Net Initial Yield
Operating						
Oolite Road	Bath	31	July 2016	2.6	n/a	6.7%
Isca Lofts	Exeter	71	August 2016	4.7	n/a	6.9%
Francis Gardner Hall	London	70	August 2016	10.6	n/a	5.5%
Grosvenor Hall	London	72	August 2016	6.2	n/a	6.3%
Pavilion Court	Canterbury	79	August 2016	9.2	n/a	6.0%
Forward Funded Projects						
The Emporium	Birmingham	185	September 2016	19.5	September 2018	n/a
Total		508		52.8		

Our Investment Team

Our investment team has worked hard over the year in identifying investment opportunities, concluding the acquisition of a significant number of premium student accommodation assets and overseeing the development of new properties, all of which underpin the successful growth of our Company. Key to their success are the strong relationships which they have built within our sector – the agents we work with, vendors, development partners and the many professionals involved in adding a premium student accommodation asset to our portfolio. I would like to thank the team for all their efforts.



Tim Attlee

Chief Investment Officer

14 September 2016



The River Colne runs alongside the property



Kingsmill Studios, Huddersfield



Communal lounge

HOW WE DO IT:

Forward Funding Development – Kingsmill Studios, Huddersfield

Kingsmill Studios in Huddersfield was Empiric's first forward funded development. Huddersfield University, which originated as The Science and Mechanic Institute in 1825, was the Times University of the Year 2013. It was ranked by HESA as the UK university with the strongest financial performance in 2013/14. It is unusual in that it has no accommodation of its own, only academic buildings.

The Sheffield-based developer AQH Mickelgate and its in-house management business, SFM, had a good track record of student accommodation development and management based on a fractional sale business that had operated successfully until 2009. They had bought the Kingsmill site (referred to as Snow Island at the time) and achieved planning permission in 2011 for a student accommodation scheme. Our architects helped them redesign to Empiric's standard specification and our forward funding technical specifications were born.

We agreed a forward acquisition price of £7.5 million against a CBRE valuation on completion of over £8.5 million, and agreed a funding arrangement based on a coupon of 7%. On this basis the acquisition showed a yield on cost of 8.22% and an unleveraged IRR of 43%.

Kingsmill Studios reached practical completion in time for the 2015/16 academic year. SFM fully let the building for its first year of operation and remains as the manager. Even after a substantial rent increase, the building is well on the way to being fully let again for the 2016/17 academic year. The valuation as at 30 June 2016 was £9.41 million.

The template agreements forged in the development of Kingsmill Studios have become the basis of the Empiric forward funding model that has been used to deliver a further seven forward funded developments and five forward commitments which commence operations in September 2016 and will be used on future projects.

Chief Executive Officer's Operations Review

We have started to bring our operations management in-house with the launch of Hello Student®. This will provide our customers with an integrated service from the moment they secure their bed and throughout their time living in an Empiric building, as well as creating operating and financial efficiencies to enhance the returns on our operating portfolio.

Introduction

At its core, Empiric is an investor in, and developer of, student accommodation assets – buildings which yield rent. However, it is people who drive the value of those buildings: our customers who pay us the rent to live in the buildings and the managers who ensure the smooth operation of those buildings. Since Empiric's IPO just over two years ago, we have worked with a number of partner businesses to ensure that our portfolio of operating assets has been well marketed, managed and maintained but as a critical component in our value chain, we believe that, as our portfolio of student accommodation assets continues to grow, there are distinct advantages to bringing the operations management in-house.

In November 2015, we appointed Incentive FM to provide facilities management services on the first trial buildings and, in January 2016, we directly employed the first Empiric building managers. In February 2016, we launched our website, hellostudent.co.uk, the marketing face of our Hello Student® branded operating platform. The launch of the website was the culmination of many months of hard work on the part of our operations team developing a bespoke operating platform which includes an integrated booking system, a student-focused brand and national facilities management. This is all underpinned by our staff, most notably, our customer-facing building, city and regional managerial staff but also the key people behind the scenes without whom Hello Student® would not exist.

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In February 2016, we launched our website, hellostudent.co.uk. By September 2018 we plan to have all development and standing assets migrated to Hello Student®.

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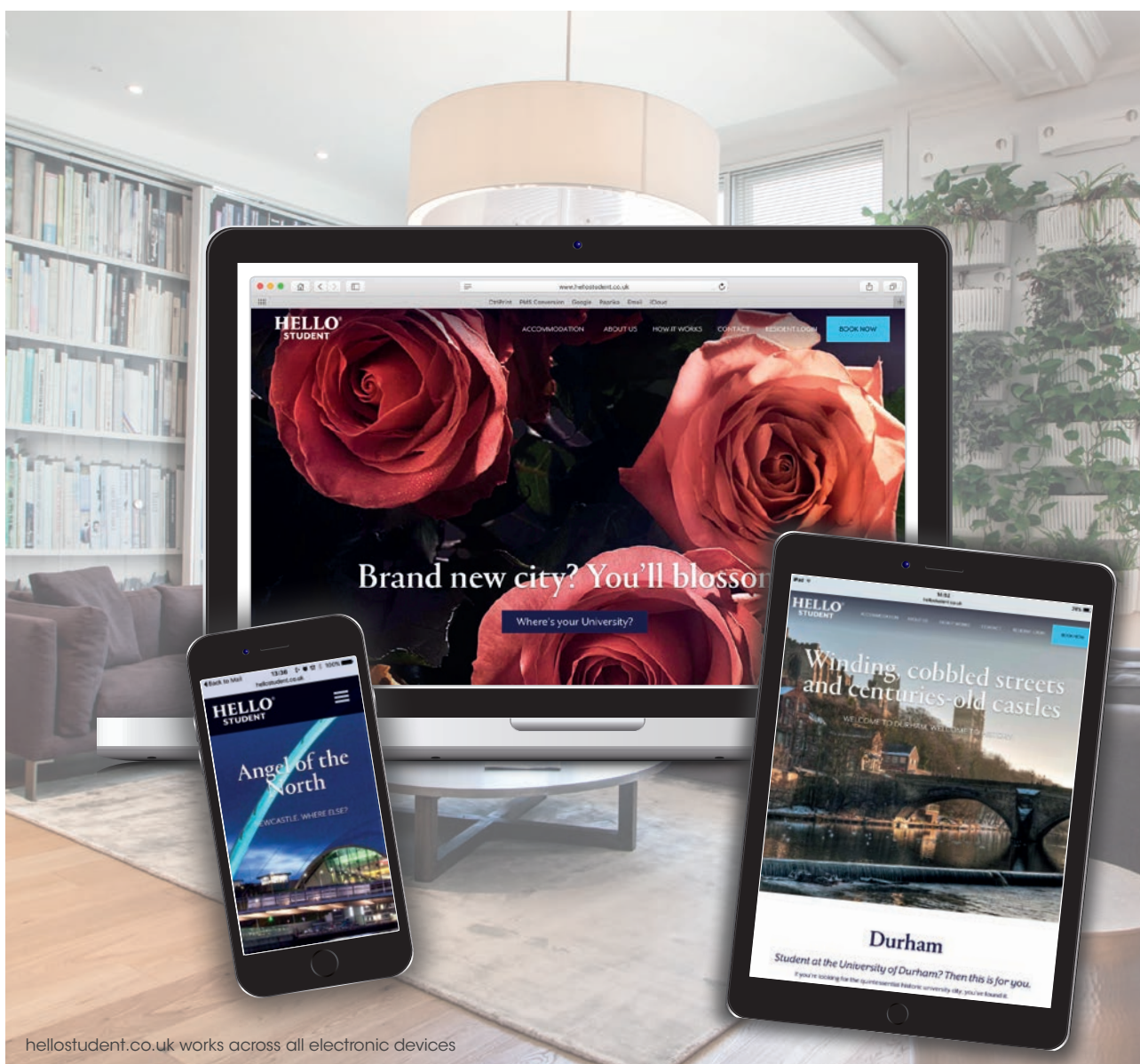
Integrated Operations Management

In our first six months after IPO, we were working with four management partner firms, mostly specialist national operators such as CRM Student and Collegiate AC. Our operational assets were listed on their respective marketing websites, they managed our properties and were responsible for collecting rents, contracting utilities and arranging maintenance, and they provided us with their accounts for the properties on a regular basis. For these services, we paid them a fee variously based on a percentage of net or gross rent and budgeted direct costs such as internet and utilities annually in advance.

By the end of June 2015, the number of partner management firms had increased to eight, mainly as a result of taking on existing relationships when we acquired new standing assets. While all specialists, levels of service were variable, purchasing power for smaller operators is limited and working with this large (and increasing) number of companies was inefficient.

The solution was to bring together the marketing, management and maintenance of our operating portfolio under one branded platform. The advantages of this are both financial and functional:

- Our single student-facing branded website, Hello Student®, will enable us to broaden our reach, drive re-bookers and referrals and engage students directly through a recognised brand across the UK.
- We have selected and reached agreement with CRM Students, the largest third party manager of student accommodation in the UK, to host the specialist booking engine which the Hello Student® website feeds into. This integrates marketing, bookings and accounting and facilitates monthly reporting to Empiric, enabling us to maintain accurate and timely data on all of our standing assets which will become increasingly important as the operating portfolio grows.



Chief Executive Officer's Operations Review

continued

- We have started to employ building managers and, in June 2016, employed our first regional manager directly. These people are our customer interface and, as such, it is important that they project our values and corporate culture. We encourage a sense of brand ownership and belonging to our team, reinforced by a definitive career path. The staff costs are more than offset by the reduction in fees and costs paid to third party management companies.
- We are able to negotiate portfolio-wide deals on utilities and services, and the added purchasing power enables us to obtain better prices and, where possible, superior services (for example, high speed broadband).
- We have selected and reached the agreement with Incentive FM, a nationwide facilities management provider, to provide a complete facilities management solution for our operating portfolio, again saving us costs as well as providing a superior service.

“

We are able to negotiate portfolio-wide deals on utilities.

”

The Hello Student® Brand

In developing a brand through which we would communicate with our customers, it was important to identify the factors that had the most appeal to our target market, principally, international students and those beyond their first year of university, particularly, postgraduates. To this end, we undertook a survey of prospective students within these demographics in three international markets, namely India, China and South Korea. In collaboration with a specialist brand design agency, we developed a brand based on the results of the research: Hello Student®.

The principal tool is the Hello Student® website supported by social media. All buildings on the Hello Student® website also appear on other managers' websites. Of the 65 buildings that are being marketed for September 2016 the majority of buildings managed by Hello Student® can be booked on the website, while the others click through to the external managers' websites.

Between its soft launch in February 2016 and 30 June 2016, the site had attracted approximately 18,000 visitors, with minimal external marketing. The website usage statistics indicate that it is drawing high quality traffic with an audience that is very engaged with the content on the site, visiting an average of four pages before exiting the site. A key statistic for us is that a total of 1,178 booking enquiries have been driven through the website to date which is comparatively higher than the conversion rate of enquiries of Hello Student® properties listed on other sites.

As well as the Hello Student® website, we have in place a full set of brand guidelines and branded material to support local, on-site property teams to drive lettings and ensure consistency of the brand across the portfolio.

Marketing

Earlier this year we commissioned research into our existing customers which identified four distinct groups based on their circumstances prior to moving into one of our buildings – “New International”, “City Switchers”, “Site Switchers” and “Re-bookers”. Further details on this research are set out in “Our Market – Our Customers” (see pages 12 and 13). Differentiated by profile, experience, motivation and accommodation search behaviours, these key groups have been used as the basis to inform all of our subsequent marketing activity in order to deliver targeted messaging and engaging visuals relevant to the particular audience. Critically, while our current customers represent 98 different nationalities, 71% of them were already in the UK last year. Therefore, the majority of next year's tenants are likely to be in the UK already and that is a key focus of our marketing.

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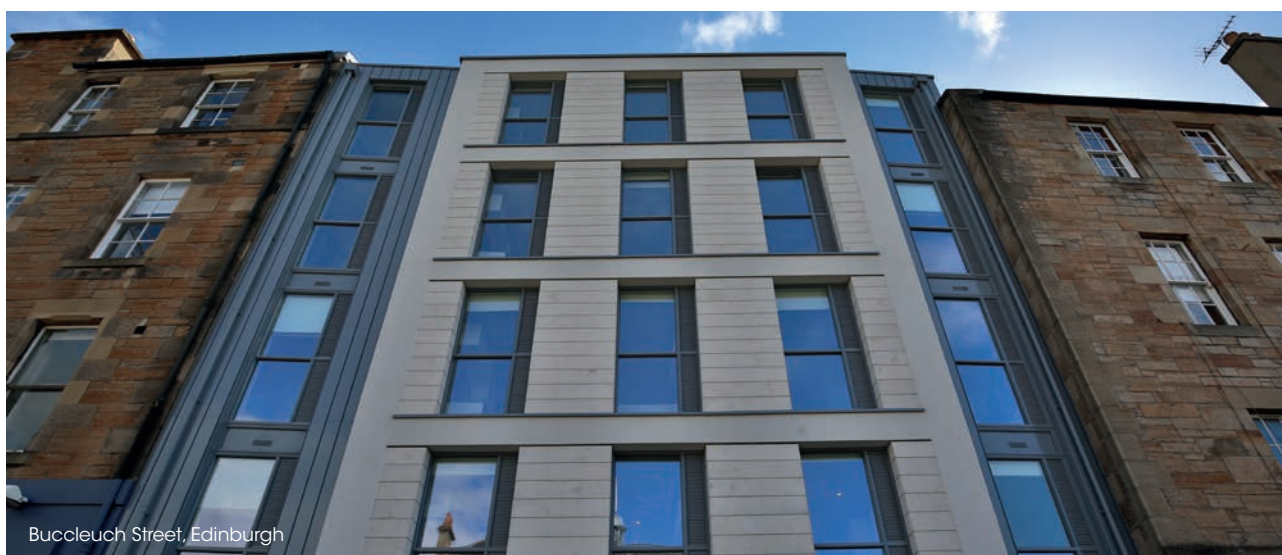
While our current customers represent 98 different nationalities, 71% of them were already in the UK last year.

”

Our social media strategy, including Facebook, Twitter and Instagram, connects with potential and current residents and has seen a rapid take-up with over 50,000 followers. This enables us to actively communicate with our online student community in a low cost way: managing and executing social media takeovers with student focused influencers; launching global competitions using cinematic video content with a paid amplification strategy; and initiating social media paid advertising, targeted at students and parents in key geographic locations.

In August 2016, a key booking period, we launched an online advertising campaign based on the lifestyle, demographic and geographic profiles generated from the data gathered from the profiles of users of the Hello Student® website. The focus of the campaign, “We Do Homes”, positions Hello Student® as a provider of high quality accommodation with a personal touch that not only provides a customer with their own space for independence and privacy but communal areas to encourage social interaction with like-minded people from around the world. Our target groups for this campaign will be New International customers as well as Site and City Switchers, particularly those who are not already familiar with the accommodation and service that we provide. This campaign, shot on location at Brunswick House in Southampton, is supported by an outdoor billboard campaign to increase awareness of the brand across the UK.

As a follow on, we plan to launch a beta version of a Hello Student® app which will be first trialled in Nottingham, with a view to rolling it out across our operating portfolio from September 2017. The app will allow customers to purchase additional chargeable services such as dry cleaning, room servicing and shipping services as well as having direct contact with the building management and maintenance teams in



Buccleuch Street, Edinburgh



Windsor House, Cardiff



333 Bath Street, Glasgow

HOW WE DO IT:

Gearing Forward Funded Development Assets

In July 2016, Empiric agreed a new loan facility of £32.8 million with AIB Group plc. The facility is secured against a portfolio of five forward funded assets and will be drawn down in stages over the development period with interest being charged at 2.8% above LIBOR. The average loan-to-cost ("LTC") ratio will be 50%.

Securing debt against the Group's forward funded asset portfolio allows equity to be released and deployed elsewhere creating a more efficient use of shareholders' capital, especially given the margin at which the debt has been agreed.

The use of debt also minimises the level of equity invested in any single forward funded project. This reduces the exposure to development risk from the forward funded asset while still retaining access to the higher returns which can be achieved through investment in the asset class. In addition, the developers pay a coupon of c. 7% and, with debt financing in place, this income is effectively geared to the level of the LTC ratio.

A further development loan of £30.6 million was agreed with Royal Bank of Scotland in September 2016. Our intention is to continue to source further debt against the remaining forward funded portfolio.

Chief Executive Officer's Operations Review

continued

order to request support. With access to promotions, discounts and notification of events, the app will also serve as a tool to build the community within a particular building, a city-wide portfolio of buildings or our wider national community. We see this as a useful tool to encourage Re-bookers as well as Site or City Switchers, particularly those are who already part of the Hello Student® community.

There are two key areas that we have focused on over the past eight months: the technology to convert the interest generated by our marketing efforts into bookings and manage information flows; and ensure that, once a customer has secured a bed in one of our buildings, we have the right team in place to ensure that they receive a service that reflects the brand values of Hello Student®.

Technology

Having considered the possibility of building a bespoke software product and reviewed the existing technology available in the market, we selected CRM Students' existing TCAS software as the basis of our new booking platform. We believe that TCAS, which powers other booking websites, provides the functionality that we require and is a proven product; a bespoke software product would be more expensive and unlikely to provide significantly better functionality. The TCAS software, which sits behind the Hello Student® website, has been designed also to interact with industry standard accounting software, providing an integrated booking, accounting and reporting system.

This feature is currently enabled for the majority of buildings which are currently managed directly through Hello Student®.

The implementation and operation of this platform is being undertaken by a specialist team from CRM Students, seconded to Hello Student Management Limited, hence providing us with a dedicated service, working seamlessly with our own employees. The team will provide marketing administration, document administration and provide monthly accounting and reporting data (on an individual SPV basis) to the Empiric accounts team.

Management

We believe that our buildings should be managed by our people. As at 30 June 2016, Hello Student Management Limited had 39 full-time employees, comprising building managers, assistant managers and community ambassadors. These new managers have undergone induction and training so that they know what it is that we expect from them.

Their principal objective is to develop relationships within their local community, including the associated universities and, most importantly, our customers, both existing and prospective. As the principal customer interface, our site management teams are able to use the marketing and management tools at their disposal to encourage re-booking from existing customers and drive new bookings from prospective customers, with a view to achieving full occupancy on a site-by-site basis or across a particular city. They provide general oversight and reporting on the performance of outsourced providers with regards to marketing, booking, site accounting, facilities management, housekeeping and security.

Direct employment of site management has meant quicker decision making, consistency of approach, higher accountability and innovation from the on-site teams. Those employees with the right aptitude will have the opportunity to develop their careers within the Group, with the ability to progress from the management of one building to responsibility for an entire city portfolio, and so on eventually to a corporate level.

Not only does the Group benefit from increasingly consistent levels of customer service but the direct employment of managerial staff reduces costs as management fees paid to third parties decrease. While we are still in the early stages of this initiative, this is likely to have a positive impact on the Group's net operating income going forward.

“

Direct employment of site management has meant quicker decision making, consistency of approach, higher accountability and innovation from the on-site teams.

”

Maintenance

Our facilities management is supported by Incentive FM, a specialist facilities management provider with an existing national network. Incentive FM will provide a comprehensive facilities management solution to complete all statutory requirements, planned preventative maintenance, general repairs and maintenance, utilities procurement and invoice management, site security and housekeeping. Incentive FM has the technical back-end systems to provide clear and consistent reporting, both technical, to the building management teams, and monthly cost accounting, to Empiric's accounting team on behalf of Hello Student®.

There are also cost and operational advantages, as working with Incentive FM gives us national buying power and a single point of programming and planning. Again, we expect this to have a positive impact on the Group's net operating income going forward.

The culmination of the roll-out of Hello Student® will deliver a premium brand experience across Empiric's entire portfolio coupled with greater operational efficiencies.



Paul Hadaway
Director

14 September 2016

Our Staff

From the Company's IPO, we have sought to build a team of talented people with the diverse array of skills and experience required for our business as we develop.

As our business has progressed, we have brought on board people who have the relevant expertise to facilitate the next stages of growth and development.

As an entrepreneurial business, we look for innovative people who are confident and able to think independently, and who seek out opportunities to improve the business as well as themselves. We believe in the value of self-improvement and have actively encouraged our employees to interact across the various teams, developing their understanding of the business as a whole, as well as take on new challenges through learning and development.

Our focus will be active talent management, mobility within the Group and increasing diversity.

Diversity

We support the principle of diversity in the workplace: at Board level; within our head office staff; and within our customer-facing, buildings management team; and we are proud of the diversity that exists within our team, with a multitude of professional, educational and social backgrounds. The gender diversity split as at 30 June 2016 was as follows:

All Employees

22 Male | 33 Female

Senior Management (Executive Directors)

3 Male | 0 Female

Board Directors (Chairman, Executive and Non-Executive Directors)

6 Male | 1 Female



Welsh Baptist Chapel, Manchester

EMPLOYEE PROFILE:



Louella Alderson – Investment Team

I had always been inclined to head towards business after university and I was interested in property, spending my summers during university working at an estate agent, Savills, in Truro. I also

had a part-time job as a show flat assistant at Summit House in Cardiff which was being developed by Paul Hadaway and Tim Attlee. I really enjoyed the job and so kept in touch with them. I graduated from Cardiff University with a degree in Economics in 2014 and joined Empiric after its IPO.

Joining a small company with an entrepreneurial spirit and great potential to grow was always going to be exciting and challenging. And I have been given far more opportunities than I could have hoped for – well in excess of my expectations! Starting with the Company from the early months has given me the chance to be involved in all aspects of the business and work with the various teams – acquisitions, finance, operations and developments.

Collaboration across the departments is encouraged so that everybody has knowledge of each area of the business and I have been able to learn a lot in a short space of time.

Empiric is a young and vibrant company, always evolving and moving forward, and has grown quickly. Can I still call it a small company? Probably not, but it is still entrepreneurial and dynamic and, above all, it is a meritocracy. If you work hard and are successful, that effort is rewarded, and employees feel like important, valued members of the team. I can vouch for this, personally: my goal is to become a chartered surveyor and Empiric is sponsoring me on my part-time Real Estate Development MSc. As I take on more challenges and responsibilities, I am working towards a senior role within the Company.

What do I believe are the Company's values? Quality. Loyalty. Collaboration. Encouragement. Dynamism.

Chief Financial Officer's Review

The financial results for the Group reflect another year of solid investment and growth.

Accounting Policies

The Group's annual consolidated financial statements have been prepared in accordance with IFRS.

Financial Results

The financial results for the Group for the year ended 30 June 2016 reflect another period of solid investment and growth, building our portfolio of purpose-built student accommodation assets. We have also invested in launching our operating platform, with a view to bringing the marketing, management and maintenance of the operating portfolio within our control.

The operating profit for the Group for the year to 30 June 2016 under IFRS was £30.0 million (2015: £12.6 million), the biggest contribution coming from the gain of £21.7 million, net of property acquisition costs, recognised on revaluing each property within the Group's property portfolio at the year-end (2015: £11.3 million). The operating profits have also benefitted from the rental income derived from the standing assets in the portfolio, which operated on a fully let basis¹ and produced rental income of £21.6 million in the period (2015: £8.3 million).

The Group's share of results from joint ventures in the period was £1.8 million, which primarily related to uplift in fair values of its properties (2015: £2.8 million). Administrative and other expenses, which include the ongoing costs of running the business, were £7.3 million equivalent to 1.4% of the value of the property portfolio as provided by CBRE, as at 30 June 2016 (2015: £4.8 million, equivalent to 1.9% of the value of the property portfolio as provided by CBRE, as at 30 June 2015).

Net financing costs for the period were £3.6 million net of money market investment income of £0.9 million (2015: £1.2 million and £0.2 million, respectively).

The profit before tax for the period was £28.1 million (2015: £14.2 million), with basic earnings per share for the period of 7.29p (7.23p on a diluted basis) (2015: 9.67p and 9.61p (diluted)).

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 policy of distributing at least 90% of its property related net income.

The NAV per share as at 30 June 2016 was 105.4p prior to adjusting for the fourth interim dividend of 1.5p per share (2015: 103.2p, prior to adjusting for the fourth interim dividend of 1p per share) and is shown net of all property acquisition costs and dividends paid during the year.

Asset Valuation

The Group's portfolio has been independently valued by CBRE in accordance with the Red Book. As at 30 June 2016, the aggregate market values of each property in our portfolio was £523.9 million (excluding the joint venture interests not currently owned by the Group) (2015: £251.3 million).

In relation to the valuation of the properties in our portfolio at 30 June 2016, CBRE has highlighted a lack of transactional evidence in the aftermath of the EU referendum to gauge the impact of the result on values at that date (see Note 13 on page 101 for more details).

Further details on the portfolio and valuation are set out in the Chief Investment Officer's Portfolio Review on pages 25 to 28.

Dividends

For the period ended 30 June 2016, the Company declared four interim dividends amounting, in aggregate, to 6.0p per share (of which 1.5p per share was declared on 26 July 2016) (2015: 4.0p per share including 1p per share declared after the period end), which achieves the target set last year of a 6% dividend yield based on the IPO price of 100 pence per share.

Of these dividends, 1.45p per share was declared as PIDs in respect of the Group's tax exempt property rental business and 4.55p per share was declared as ordinary UK dividends (2015: 2.32p per share and 1.68p per share, respectively).

The Group's adjusted basic EPRA earnings per share for the year was 1.89p (2015: 0.13p). The adjusted earnings per share figure takes the EPRA earnings per share for the year and adds the licence fee on forward funded developments that has not been recognised in the Statement of Comprehensive Income. We see this as a more relevant measure when assessing dividend distributions.

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 Company is targeting an annualised dividend of 6.1p per share for the financial period commencing 1 July 2016, provided that the Company can continue to implement successfully its Investment Policy. This reflects the prior year dividend of 6p per share with an adjustment in line with our dividend growth target of not less than RPI. The Directors anticipate that the dividend for the quarter beginning 1 January 2017 and going forward will be substantially, if not fully, covered by adjusted earnings per share.²

Accounting Reference Date

Following consideration of the Group's activities, in particular the focus of operational and development activity around the start of an academic year in September, the Board has concluded that it would be appropriate to change the accounting reference date of the Company from 30 June to 31 December, and intends to do so with effect from the period commencing 1 July 2016. Therefore, the next audited statutory accounts will be prepared and published for the six-month period ending 31 December 2016.

Financing

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"). In July and October 2015, the Company raised a total of £161.4 million in gross equity in two tranches under the Share Issuance Programme.

In March 2016, the Company launched a second share issuance programme enabling it to issue up to 165 million shares valid until 28 February 2017 (the "Second Share Issuance Programme"). The first tranche of the Second Share Issuance Programme, which closed on 16 March 2016, was significantly oversubscribed with the Company increasing the gross equity raised from an initial target of £90 million to £125 million.

As at 30 June 2016, the Company had raised during the year, in aggregate, gross equity proceeds of £286.4 million, with all three fundraisings priced at a premium to NAV and significantly oversubscribed.

On 29 February 2016, the Company's wholly-owned subsidiary Empiric Investments (Two) Limited ("EITL") agreed a further fixed rate term loan facility of £40.0 million with Canada Life Investments ("Canada Life"), secured against a portfolio of forward commitment assets on their completion which were expected to occur in time for the start of the 2016/17 academic year, held as a lending group by EITL (the "Canada Life Facility B"). The Canada Life Facility B is repayable in two tranches of £20 million in March 2024 and July 2031, respectively, and has an all in rate of 3.52% which is fixed throughout the term up to a LTV ratio of 50%.

On 1 April 2016, the Company's wholly-owned subsidiary, Empiric Investments (Four) Limited ("EIFL") agreed a fixed rate term loan facility of £80 million arranged by Cornerstone Real Estate Advisers Europe LLP, a member of the Massachusetts Mutual Financial Group (the "Cornerstone Facility"). The Cornerstone Facility is secured against a portfolio of 18 operating assets, held as a lending group by EIFL. The Cornerstone Facility is repayable 12 years from the date of the initial draw down and has an all in rate of 3.24% which is fixed throughout the term up to a LTV of 55%. An additional committed facility of up to £40 million is available to the Group, to be requested on or before 7 December 2016, subject to meeting certain conditions. Part of the Cornerstone Facility was used to refinance £37.9 million of debt repaid to Santander and Royal Bank of Scotland.

As at 30 June 2016, the Group had, in aggregate, £216.6 million of committed debt in place of which £155.9 million had been drawn down. The Group's aggregate LTV ratio as at 30 June 2016 was 22.7% (2015: 26.0%) and it was in full compliance with its covenants.

Post Balance Sheet Events

Since the period end, the Group has agreed a £32.8 million development debt facility with AIB Group (UK) PLC (a member of Allied Irish Bank) and a £30.6 million development debt facility with Royal Bank of Scotland.

Further, the Company has announced the acquisition of five assets which were operational and one property under development which, together, represent a further 508 beds. Details of these acquisitions are set out in Table 3 of the Chief Investment Officer's Portfolio Review on page 28.

Alternative Investment Fund Manager ("AIFM")

The Company continues to be authorised as a full-scope AIFM and is regulated by the Financial Conduct Authority. The Company has engaged a specialist compliance consultancy, Portman Compliance Consulting LLP, to ensure that it adheres to all of its regulatory obligations.

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 challenges along the way.



Michael Enright
Chief Financial Officer

14 September 2016

² 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.

Principal Risks and Uncertainties

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

The Audit Committee formally reviews the effectiveness of the Company's risk management processes 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 overall 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, rather than absolute, assurance. The Company outsources certain services to its administrator, FIM Capital Limited (the "Administrator"), and other service providers, and a certain element of 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 on pages 38 to 42.

Principal Risks

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, might well become material in the future.

Property Market Risk

Risk	Impact	Mitigation
1 The performance of the Group's portfolio will depend on general property and investment market conditions. There remains uncertainty in respect of the property market, in general, following the result of the EU referendum in June 2016, which could prevail until Brexit negotiations are concluded and beyond, depending on the outcome of such negotiations.	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 portfolio.</p> <p>The Group continually monitors and 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. Notwithstanding this imbalance, the Group does not overstretch annual rent increases and varies such increases according to the market backdrop of a particular area or building.</p> <p>With EU students representing only 6% of all full-time students in the UK, and with the high number of other international students applying to study in the UK, the higher education sector in the UK is not reliant on students from the EU.</p>
2 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 portfolio.	The Group had contracted on a diversified portfolio of 75 properties as at 30 June 2016, of which 52 were already operational and managed either by the Group directly or 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 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.

Risk	Impact	Mitigation
<p>3 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, generally, or in specific regions, including any change in demand from international students.</p>	<p>An adverse change in the higher education market in the UK, generally, or in a specific region, could lead to a reduction in student numbers and a consequent reduction in demand for student accommodation across the UK or any such region. This, in turn, could result in reduced rental income and negatively impact the value of all, or a significant proportion of, the Group's portfolio.</p>	<p>The Board constantly monitors government policy and its impact on, and forecasts of, UK, EU and international student numbers studying in the UK. Further, the Board will pay particular attention to proposals relating to the UK's exit from the EU and how these impact the UK as a whole and specific regions, such as Scotland.</p> <p>The Board is also careful to ensure that it acquires or develops student accommodation properties in leading university cities and towns in the UK, such as the Russell Group or high growth universities. Where the Directors perceive a weakening in a particular market (either a specific city or region), they will carefully monitor the performance of existing assets in such market and adjust operational activities, as necessary, and/or suspend any further investments into that market.</p> <p>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.</p>
<p>4 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.</p>	<p>Increased competition 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 able to be achieved.</p>	<p>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.</p>
<p>5 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.</p>	<p>Any of the risks associated with the Group's development activities could reduce the value of the Group's assets.</p>	<p>Under the Company's current Investment Policy, the Company may only commit up to a maximum of 15% of its NAV 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.</p> <p>The Group's development activities span a range of towns and cities and there is little or no overlap in the developers acting on these projects, further reducing the impact of any delays or changes in market conditions.</p>

Principal Risks and Uncertainties continued

Funding Risk

Risk	Impact	Mitigation
<p>6 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.</p>	<p>Future increases in the amount of interest payable by the Group on its borrowings would reduce the profitability of the Company.</p>	<p>Since IPO, the Executive Directors have been in active discussions with a number of debt providers and, to date, have secured facilities with five separate providers (including joint venture debt providers) and have agreed fixed rates or employed interest rate hedging which is in place for 100% of the variable rate debt.</p> <p>The weighted average term to maturity of the Group's debt as at 30 June 2016 is 9.7 years.</p>
<p>7 Acquisition of properties is funded partly by borrowings. If market conditions deteriorate and, as a result, the value of the Group's assets falls, the NAV of the Group will reduce. Furthermore, the Group's borrowings contain LTV covenants.</p>	<p>If the Group's assets decrease in value there is a risk that its debt covenants could be breached.</p>	<p>The Company's Investment Policy provides for a prudent borrowing limit for the asset class of a maximum of 40% of the gross asset value (with a target of 35%). 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 LTV covenants. The LTV covenants have been negotiated to be as flexible as possible.</p>
<p>8 The Group may not be able to secure further debt on acceptable terms.</p>	<p>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>	<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
<p>9 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.</p>	<p>If the Company fails to remain a REIT for UK tax purposes, its profits and gains will be subject to UK corporation tax.</p>	<p>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.</p> <p>Ernst & Young LLP provide REIT compliance monitoring services to Empiric and the Company has also recently engaged a third party consultant, Portman Compliance Consulting LLP, to assist with compliance matters.</p> <p>The Company has also recently hired a Head of Compliance, Edwina Davis, to provide internal compliance support.</p>

Operational Risk

Risk	Impact	Mitigation
<p>10 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>	<p>Failure by the Executive Directors to acquire and manage assets effectively could materially adversely affect the Company's profitability, the NAV and the share price. 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 takes formal 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>
<p>11 The Group may not be able to let the commercial units which form part of some of the properties it owns or acquires.</p>	<p>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 NAV and the price of the shares.</p>	<p>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 year to 30 June 2016, the aggregate annualised rental income from commercial leases amounted to 2.7% of the Group's gross annualised rent for its operating assets (2015: 4.4%).</p>
<p>12 The Group may not be able to maintain the occupancy rates of its properties or any other student accommodation properties it acquires.</p>	<p>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, NAV and the share price.</p>	<p>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.</p>
<p>13 Construction of the Group's development projects may be subject to delays or disruptions that are outside of the Group's control.</p>	<p>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.</p>	<p>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.</p>

Principal Risks and Uncertainties continued

Operational Risk continued

Risk	Impact	Mitigation
<p>14 Lettings on the Group's in-house platform, Hello Student®, may not reach target levels.</p>	<p>An inability to secure lettings for properties marketed by the Group, directly, would result in occupancy levels below target and, hence, a shortfall in rental income.</p>	<p>The website was launched in February 2016 and all rooms marketed on it are marketed on another marketing company's website for the current letting year.</p> <p>Investment is being made in brand awareness. The website features on several third party websites and is supported by social media.</p> <p>The migration to Hello Student® is phased and will not be completed until September 2018.</p>
<p>15 We collect and retain information in computer systems regarding our business dealings, our customers and our suppliers. The secure processing, maintenance and transmission of this information is critical to our business and we must comply with restrictions on the handling of sensitive information (including employee and customer information).</p>	<p>A major information security breach could have a significant negative impact on our reputation and could result in the loss of business critical information. This in turn could have a negative impact on our ability to do business or result in fines or compensation, impacting on the Group's profitability.</p>	<p>Our networks are protected by firewalls and anti-virus protection systems with back-up procedures also in place. The Company has retained the services of a specialist information technology consultancy to enhance controls further and optimise our systems design in order to minimise the risk of hacking. This latter service is particularly critical to the Group as we expand our portfolio and our operational capabilities, in order to ensure that our investment into computer systems is aligned with our overall business strategy, cost effective and designed to reduce as far as possible the risk of security breaches.</p>

Governance

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Chairman's Introduction to Corporate Governance

Since its IPO in June 2014, the Company has undergone substantial growth and we were pleased to report in March 2016 that the Company's shares had been included in the FTSE EPRA/NAREIT Index – a significant step for the Company.

The Board is committed to maintaining and improving the structures and processes required to underpin such growth and support the increased complexity of the Group. This includes ensuring the highest standards of corporate governance, which meet both the statutory and regulatory requirements for companies listed in the UK.

In this section of the Annual Report, we set out the principles of corporate governance that the Board has adopted, highlights of our corporate governance activities and compliance with the codes of corporate governance we have chosen to adopt.

As an investment company, we comply with the AIC Code of Corporate Governance (the "AIC Code") published by the Association of Investment Companies (the "AIC") and we voluntarily comply with the UK Corporate Governance Code (April 2016) (the "UK Corporate Governance Code"), as appropriate. Details of our compliance with the AIC Code are detailed on pages 46 and 47. The AIC Code and AIC Guide can be found at <https://www.theaic.co.uk/sites/default/files/uploads/files/AICCodeofCorporateGovernanceJUL16.pdf>. The UK Corporate Governance Code is available at <https://www.frc.org.uk/Our-Work/Publications/Corporate-Governance/UK-Corporate-Governance-Code-April-2016.pdf>.

In January 2016, Stuart Beevor joined the Board as an Independent Non-Executive Director, bringing with him a wealth of experience as a public company director as well as an extensive background in the student accommodation sector. In February 2016, Alexandra Mackesy stepped down from the Board to pursue other interests. My 2016 report on behalf of the Nominations Committee is set out on page 53 and provides further detail on the leadership and effectiveness of the Board. Biographical details of the current Directors and their roles are set out on pages 50 and 51.

We believe that an annual review of Board effectiveness is an important process to assist in identifying areas for future improvement or focus. An evaluation process has been undertaken, further details of which are set out on page 52.

More details of our compliance with the leadership and effectiveness provisions of the AIC Code are set out in pages 46 and 47.

The Board is committed to ensuring that the scale and structure of the remuneration of the Directors is appropriate so as to attract, retain and motivate the Board. Further details regarding the remuneration for the year ended 30 June 2016 and the Remuneration Policy for the period ending 31 December 2015 are set out in Stuart Beevor's Remuneration Committee Report for 2016 on pages 62 and 63.

The Board understands the importance of presenting a fair, balanced and understandable assessment of the Company's position and prospects and the importance of effective reporting, risk management and control procedures. Further details regarding these key areas are set out in Jim Prower's Audit Committee Report for 2016 on pages 57 to 59.

Statement of Compliance

The Board has considered the principles and recommendations of the AIC Code by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"). 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 specifically relevant to the Company. The Board considers that reporting in relation to 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.

For the year ended 30 June 2016, the Company has complied with the recommendations of the AIC Code and, voluntarily, the relevant provisions of the UK Corporate Governance Code.

Other Key Statements

The Directors confirm that to the best of our knowledge:

- 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 of accounting adopted in the preparation of the Annual Report is appropriate. Further details regarding this opinion are set out in the Accountability section of this Corporate Governance Report on page 55.
- Taking into account the Group's current position and the impact of the principal risks documented in the Strategic Report, the Directors have a reasonable expectation that the Company will remain viable, continuing to operate and meet its liabilities as they fall due, over the period to 30 June 2019. Further details of the Board's assessment of the viability of the Company are set out in the Accountability section of this Corporate Governance Report on page 55 also Principal Risks and Uncertainties on pages 38 to 42.
- A continuing process for identifying, evaluating and managing the risks the Company faces has been established and the Board has reviewed the effectiveness of the internal control systems. Further details are set out in the Accountability section of this Corporate Governance Report on page 55.
- 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. See page 57 of the Audit Committee Report for further information.
- The Strategic Report, which the Board has approved, 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.



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

14 September 2016

Application of the principles of the AIC Code

The Company has complied with the 21 principles of the AIC Code which have been applied 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 (namely Jim Prower, Stuart Beevor and Stephen Alston) are considered to be independent of the three 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 first Annual General Meeting ("AGM") after their appointment and at the third AGM after the AGM or general meeting (as the case may be) at which she/he was previously appointed. At the last AGM held on 4 November 2015, being the Company's first AGM, all of the Directors at the time retired and stood for re-election. Stuart Beevor, having only been appointed to the Board in January 2016, will retire and stand for re-election at the Company's forthcoming AGM on 25 October 2016.

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

The annual Board evaluation has taken place. Further details on the process are set out on page 52.

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 Annual Report on Remuneration on pages 67 to 72.

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 as was the case on the appointment of Stuart Beevor in January 2016. Further details of the activities of the Nominations Committee can be found on pages 53 and 54.

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. In addition, on the agenda at each regular Board meeting, there is time allocated to a Board discussion on issues pertinent to the Company including, for example, developments in the property or higher education sectors, structuring of development contracts or prevailing debt financing packages. The Board is also briefed by the administrator on any compliance developments and corporate governance requirements. Further details of the training and development of the Board are set out on pages 50 and 51.

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

The Company was established as a single fund and there are currently no plans to launch further funds. The Chairman and the Board are always involved whenever the Company undertakes equity fundraisings, and are integral to the process from an early stage.

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, a report on public relations and press commentary 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. Further, in February 2016, the Board held a two-day off-site meeting to review the current strategy and to consider the future strategic direction of the Company with a follow up meeting in May 2016. The Board intends to hold such strategy meetings regularly in the future.

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

The performance of the Executive Directors is being assessed as part of the annual Board performance review. In addition, they are assessed by the Remuneration Committee against a number of predetermined performance targets in respect of their Long Term Incentive Plan ("LTIP") awards, details of which can be found in the Annual Report on Remuneration on pages 67 to 72. 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 57 to 59.

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 NAV per Ordinary Share. The Directors have at their disposal the authority to buy back 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 as well as gauge 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 keep the contracts of the Company's corporate advisers under review and report their recommendations for changes to the Board as and when necessary. As part of the development of the in-house operating platform, the performance of the various operations service providers have been assessed. 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 Company has an ongoing shareholder relations programme which includes regular news flow, the corporate website which is kept up-to-date and site visits arranged in conjunction with the Company's financial advisers and broker. In addition, the Executive Directors have met with a range of shareholders a number of times over the year and the Board receives regular feedback on shareholder issues. The Directors make themselves available at general meetings, in particular, the AGM which provides the Board with an important opportunity to meet with shareholders outside the formal business of the meeting and discuss their views. The Chairman, the Senior Independent Director 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 42 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.

Leadership

Board

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 to be fully independent for the purposes of the Listing Rules.

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. 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 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.

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

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

The Board also delegates matters to Board committees, as appropriate.

Audit Committee

To oversee the Group's financial reporting, risk management and internal control procedures and the work of its external auditors.

See page 57 to 59.

Nominations Committee

To review the Board's composition and to assess whether the balance of skills, experience, knowledge and independence is appropriate to enable the Board to operate effectively.

See page 53 to 54.

Remuneration Committee

To determine and agree the 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.

To consider and recommend the content of the Annual Report on Remuneration Report as set out on pages 67 to 72.

See page 67 to 72.

The Board reviews the terms of reference for each committee as necessary but at least every two years. Copies are available from the Company Secretary or the Company's website.

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 Board

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 following their

appointment and to submit themselves for re-election at every third AGM thereafter. All Directors are subject to retirement by rotation in accordance with the Articles.

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 50 and 51.

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.

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.

Attendance at Board and Committee Meetings During the Year Ended 30 June 2016

The Board has a schedule of regular meetings together with further ad hoc meetings as required to deal with transactional business.

During the year ended 30 June 2016, there were 23 Board meetings and the attendance by the respective Directors is displayed in the table below. 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 2016 to consider and implement the raising of equity funding as well as to consider investment opportunities.

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	23	–	4	1	7
Baroness Dean	23	23	–	1	7
Paul Hadaway	23	22	–	1	–
Tim Attlee	23	21	–	–	–
Michael Enright	23	22	–	–	–
Jim Prower	23	23	4	–	7
Alexandra Mackesy (resigned 29 February 2016)	13	10	1	–	4
Stephen Alston	23	20	4	1	–
Stuart Beevor (appointed 1 January 2016) ¹	12	12	3	–	3

- 1 There were only three meetings of each of the Audit Committee and Remuneration Committee that took place following Stuart Beevor's appointment and he attended all of them.
- 2 Brenda Dean and Paul Hadaway each attended two Audit Committee meetings and Michael Enright attended four Audit Committee meetings, all at the invitation of the committee.

Board of Directors



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

Appointed: 28 May 2014
Independent: **Yes**

Committee memberships:

- Chairman of Nominations Committee
- Remuneration Committee

Relevant skills and experience:

- Significant leadership experience as non-executive director and chairman of a number of public companies and member of numerous public bodies
- Insight into both the higher education and real estate sectors

Principal external appointments:

- Non-executive partnership director – National Air Traffic Services
- Non-executive director – Places for People
- Member of Council – Nottingham University
- Non-executive director – Business and Oversight Committee of the Law Society

Significant previous external experience:

- Non-executive director – Taylor Wimpey plc
- Chairman – Covent Garden Market Authority
- Chairman – Housing Corporation (now the Homes and Communities Agency)
- Member – National Committee of Enquiry into the Future of Higher Education (the Dearing Committee)
- Member of Council – City University, Open University and London School of Economics



Paul Hadaway
Chief Executive Officer

Appointed: 11 February 2014
Independent: **No**

Committee memberships:

- Nominations Committee

Relevant skills and experience:

- Architect by training
- Investing in property since 1997
- Experienced developer in various property sectors

Principal responsibilities:

- Ensuring implementation of Board strategy and delivery of stated goals
- Joint responsibility for acquisitions and developments in Empiric's property portfolio
- Overseeing operational management of the standing portfolio
- Communication with shareholders and potential investors
- Reviewing ongoing appointments of the Company's advisers and service providers

Significant previous external experience:

- Experienced developer in various property sectors including student, up-market residential, medical and educational turn-key buildings and commercial offices
- Worked with Tim Attlee since 1999, founding London Cornwall Property Partners Ltd
- Focus on student accommodation since 2009



Tim Attlee
Chief Investment Officer

Appointed: 11 February 2014
Independent: **No**

Committee memberships:

- None

Relevant skills and experience:

- Chartered surveyor
- Experience in all aspects of real estate general practice
- Emphasis on institutional investment and property development

Principal responsibilities:

- Primary responsibility for acquisitions and developments in Empiric's property portfolio
- Progression of investment opportunities through from identification, due diligence and deal negotiation, to Board approval and execution
- Overseeing progress of assets under development
- Communication with shareholders and potential investors

Significant previous external experience:

- Experienced developer in various property sectors including student, up-market residential, medical and educational turn-key buildings and commercial offices
- Worked with Paul Hadaway since 1999, founding London Cornwall Property Partners Ltd
- Focus on student accommodation since 2009



Michael Enright
Chief Financial Officer

Appointed: 21 March 2014
Independent: **No**

Committee memberships:

- None

Relevant skills and experience:

- A chartered accountant having trained and qualified with Arthur Anderson & Co, London
- Career in corporate finance in the US and UK
- Finance director of a number of public and private companies, leading successful corporate development initiatives

Principal responsibilities:

- Day-to-day reporting and monitoring of the Group's financial matters
- Capital structuring including negotiations with debt providers
- Ensuring the Company meets all of its compliance and regulatory obligations, especially the UK REIT and AIFM regimes

Significant previous external experience:

- Acted as finance director to several technology companies, including:
 - Quotient plc (formerly CCF Group plc) prior to acquisition by Mysis Group plc
 - Oasis Group plc
 - M-R Group plc
- Focus on property and leisure sectors since 1999
- Invested in and provided advice to London Cornwall Property Partners Ltd



Jim Prower
Senior Independent
Non-Executive Director

Appointed: 28 May 2014
Independent: **Yes**

Committee memberships:

- Chairman of Audit Committee
- Remuneration Committee

Relevant skills and experience:

- A chartered accountant having trained and qualified at Peat, Marwick, Mitchell & Co, London
- In-depth knowledge of financial matters, particularly in relation to the real estate sector through his previous role as finance director at the Argent Group, which is undertaking the development of King's Cross Central
- Experienced in raising debt financing for working capital, development and investment

Principal external appointments:

- Senior independent director and chairman of audit committee – Tritax Big Box REIT plc

Significant previous external experience:

- Acted as finance director and company secretary at several companies, including:
 - Argent Group
 - Minty plc
 - Creston Land & Estates plc
 - NOBO Group plc



Stephen Alston
Non-Executive Director

Appointed: 28 May 2014
Independent: **No**

Committee memberships:

- Audit Committee
- Nominations Committee

Relevant skills and experience:

- Over 25 years' experience in structuring investment, development and planning deals as both lender and financial equity partner
- Currently responsible for asset management and raising debt for both investment and development projects at Real Estate Venture Capital Management LLP

Principal external appointments:

- Partner – Real Estate Venture Capital Management LLP
- Member – Association of Property Lenders

Significant previous external experience:

- Deputy CEO (Commercial Banking & Treasury) – Ahli United Bank (UK) PLC



Stuart Beevor
Non-Executive Director

Appointed: 1 January 2016
Independent: **Yes**

Committee memberships:

- Chairman of Remuneration Committee
- Audit Committee

Relevant skills and experience:

- Chartered surveyor with over 35 years' real estate experience
- Strong leadership experience as executive and non-executive director of a number of public and private entities
- In-depth understanding of remuneration matters in the property sector

Principal external appointments:

- Non-executive director – ICG-Longbow Senior Secured UK Property Debt Investments Limited
- Senior independent director – Metropolitan Housing Trust
- Chairman – Investment Advisory Board, Diversified Property Fund for Charities
- Member – Investment committees of two DTZ Investors Pension Fund clients
- Member – Greenwich Hospital Advisory Board
- Trustee – Investment Property Forum Educational Trust

Significant previous external experience:

- Managing director – Grosvenor Fund Management
- Non-executive director – The Unite Group plc
- Managing director – Legal & General Property Limited

Effectiveness

The Board recognises that it is fundamental to the operation of the Company to provide strong and effective leadership. In order to achieve this, the Board, as a whole, needs a balance of skills, experience, knowledge and independence, with ongoing assessment and development.

Board Performance and Evaluation

The Chairman has undertaken her own review of the performance of each the Non-Executive Directors and has discussed her conclusions with each Director, personally. The Senior Independent Director has undertaken a similar review of the performance of the Chairman which he has also discussed with her. Following these individual meetings, the Chairman presented her conclusions regarding performance and areas for improvement, including training and development needs, to the Board.

The Chairman concluded that there was one area for improvement which required immediate action – the Non-Executive Directors to meet separately on a more regular basis. Therefore, with effect from April 2016, the Non-Executive Directors hold a private meeting immediately prior to any regular meeting of the full Board.

Given the size of the Company and its relatively short history, the Board concluded that the use of an external evaluation service provider was not necessary up to this stage. Bearing in mind the growth of the Company, the Board has concluded that, although it is not required, it would be entirely appropriate for good governance, to commission an independent Board evaluation and for this to be concluded before the publication of the Company's next audited results.

Training and 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 the Directors appointed prior to IPO participated in discussions with the Chairman and other Directors to understand their responsibilities, in addition to the Company's business and procedures. Prior to his appointment, Stuart Beevor met with each of the Executive Directors to gain a more in-depth understanding of Empiric's business and with a

number of the Non-Executive Directors, including the Chairman, in order to understand any issues identified by the Non-Executive Directors. He also met with the Company's corporate advisers. Given that the strategy awayday that was imminent at the time of his appointment, it was decided that a formal induction meeting was not required.

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. In addition, there is time allocated in every Board meeting to a discussion on various issues pertinent to the Company including, for example, developments in the property or higher education sectors, structuring of development contracts or prevailing debt financing packages. The Board is also briefed by the administrator on any compliance and corporate governance requirements including, for example, the Market Abuse Regulations that came into force in July 2016 and Company's obligations under the Modern Slavery Act 2015 which came into force in October 2015.

Nominations Committee Report

The Nominations Committee is responsible for the regular review of the structure, size and composition of the Board and it also 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.



Brenda Dean
Nominations Committee Chairman

The Nominations Committee Membership

Baroness Brenda Dean Chairman

Stephen Alston Paul Hadaway

The Nominations Committee operates within defined terms of reference which are available on the Company's website and on request from the Company Secretary.

Meetings and Activities During the Year

The Nominations Committee met once during the year (with full attendance by each of the committee members) to consider the structure of the Board.

At the beginning of the financial period, a key consideration for the Nominations Committee was the rapid growth of the Company from a new fund on IPO in June 2014 with a market capitalisation of £85 million to a Company with a market capitalisation of over £250 million in just over a year, with an expanding portfolio of properties, both operational and under development, as well as the beginnings of what has become a fully-fledged operating platform. A particular area of concern was ensuring that, as a Board, we had the necessary skills and experience to ensure that the Executive Directors, together with the senior management team, are and continue to be properly incentivised and remunerated in line with market rates as the Company grows and develops.

We concluded, therefore, that it would be appropriate to recruit an additional Non-Executive Director who had experience in remuneration matters at a public company level, ideally from a real estate background, to bring these additional skills to the Board.

Nominations Committee Report continued

Appointment Process

The Board concluded that candidates should have an in-depth knowledge of the real estate sector along with recent and relevant experience as a non-executive director of a publicly listed company, particularly, with experience at the remuneration committee level. As a starting point, we approached our corporate advisers, who know the Company well and understood the type of candidate we were seeking, to ask if they were able to identify potential candidates. From these initial discussions, we were fortunately able to produce a preferred "longlist" of candidates and, following discussions with the other Directors, a "shortlist" which meant we did not need to appoint an external search consultant or advertise the position.

Stuart Beevor was identified as the Board's preferred candidate having a background in real estate, most notably his role as managing director of the international property investment company, Grosvenor Fund Management for nine years, but of particular interest was his nine years as a non-executive director of student accommodation provider, The Unite Group plc, during which time he also chaired the remuneration committee of that company.

After meeting with Stuart to further assess his skills and experience for the role, he also took the opportunity to conduct thorough due diligence on the role and the Company, including meeting a number of our advisers. The process concluded with a formal recommendation from the Nominations Committee to the Board and, on 21 December 2015, we were delighted to announce Stuart's appointment (effective 1 January 2016).

In late January 2016, Alexandra Mackesy tendered her resignation from the Board which became effective on 29 February 2016. Following her resignation, Stuart was appointed Chairman of the Remuneration Committee and a member of the Audit Committee.

As Stuart was appointed after our last AGM, he will retire by rotation and stand for re-election at the next AGM. As is the case for the renewal of all current appointments, all Directors except the individual in question are able to vote at the general meeting.

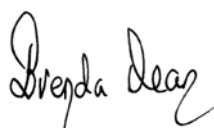
Board Diversity

We consider that, together, the Directors have a balance of skills, qualifications and experience which are relevant to the Company, including both real estate investment and development, operation and management of student accommodation, the higher education sector, financial structuring and technology. Details of the Chairman's and the other Directors' experience, including significant other commitments, are set out in the Directors' biographies on pages 50 and 51. We support the recommendations of the Davies Report and believe in the value and importance of diversity in the boardroom but we do not consider it appropriate or in the interests of the Company and its shareholders to set prescriptive targets for gender or nationality on the Board.

Succession Planning

Following the appointment of Stuart Beevor, no other changes have been deemed necessary and the Board is considered to contain the appropriate levels of experience and knowledge for the Company. However, notwithstanding the relatively short operating history of the Company, we recognise that succession planning is a fundamental component of Board effectiveness, ensuring a consistent level of quality in management, avoiding instability through the unforeseen departure of a key individual and promoting diversity.

We will keep under review the need for an orderly and progressive refreshing of the Board's membership. Our focus going forward will be active talent management, mobility within the Group and increasing diversity, developing a pipeline of talented and capable individuals who can progress to senior management levels, in particular, on the operations side of the business where we are keen to highlight the career progression opportunities for our new customer-facing management team.



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

14 September 2016

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, (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 AIC Guide, it has 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

The Company continues to act as its own full-scope AIFM, authorised by the Financial Conduct Authority.

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 £2.0 million. The total variable remuneration accrued for all members of staff for the financial year was £1.3 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 Annual Report on Remuneration Report on pages 67 to 72 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 the Company has sufficient capacity to meet all its commitments.

During the year, the Group raised net equity proceeds of, in aggregate, £280.4 million and agreed further debt facilities, namely a further £40 million term loan facility with Canada Life and an £80 million term loan facility through Cornerstone Real Estate Advisers Europe LLP (a member of the Massachusetts Mutual Group) of which £37.9 million was used to refinance existing debt from Santander and Royal Bank of Scotland. As at 30 June 2016, the Group had, in aggregate, £216.6 million of committed debt in place of which £155.9 million had been drawn down and the Group was in full compliance with its covenants.

Following the year-end, the Group agreed a £32.8 million development debt facility with AIB Group (UK) PLC (a member of Allied Irish Bank) and a £30.6 million development debt facility with Royal Bank of Scotland.

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 of accounting adopted in the preparation of the Annual Report is appropriate for at least 12 months from the date of approval of the Annual Report.

Viability

Further, in accordance with provision C.2.2 of the revised UK Corporate Governance Code, taking into account the Company's current position and principal risks, the Directors have assessed the prospects of the Company over a five-year period and confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due, for the next three years to June 2019. The Directors' assessment has been made with reference to the Group's current position and prospects, the Group's strategy, the Board's risk appetite, the Group's principal risks and the management of those risks, as detailed in the Strategic Report on pages 1 to 42.

Accountability continued

The assessment is based on the three-year planning cycle of the Company, being the typical period over which the Directors have visibility on the debt financing for the Group, practical completion of the Group's current development assets and commitments and the steady state of the Group's operational capabilities and they believe the forecasting assumptions used are reliable.

The Group's strategy and principal risks underpin the five-year plan and associated stress testing, which the Directors review at least annually. The Directors' review considers profits, cash flows, financing requirements and financial covenants.

The five-year plan review is underpinned by regular Board briefings provided by the Executive Directors and discussion of any new strategies undertaken by the Board in its normal course of business. These reviews consider both the market opportunity and the associated risks, principally the ability to raise third party funds, invest capital and deliver strong investment performance.

The strategic plan is built using a bottom up model, on an asset by asset basis. The model makes certain assumptions about the acquisition of properties (both standing assets and development assets), the ability to refinance debt as it falls due and/or recycle capital, the performance of the property portfolio both in terms of income generation (annual rental growth of 3% and 2.5% voids across the operating portfolio) and capital appreciation (annual uplift of 3%) and the payment of dividends to shareholders in line with the Company's obligations under the UK REIT regime.

The model is subject to a sensitivity analysis which involves flexing a number of key assumptions underlying the forecast both individually and in aggregate. Where appropriate, this analysis was carried out to evaluate the potential impact of the Group's principal risks (see pages 38 to 42) actually occurring.

Audit Committee Report

The Audit Committee is charged with oversight of the financial reporting procedures and risk review on behalf of the Board.



Jim Prower
Audit Committee Chairman¹

The Audit Committee Membership

Jim Prower Chairman

Stephen Alston Stuart Beevor

The Audit Committee operates within defined terms of reference, a copy of which is available on the Company's website or on request from the Company Secretary.

Activities of the Committee

The Audit Committee met four times during the year and these meetings were fully attended by committee members as well as the Chairman, the Chief Executive, the Chief Financial Officer and representatives of the Administrator and the Company's external auditor, who were invited to attend.

During the year, our work 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 financial information as at 31 August 2015 set out in the updated securities note (and summary) dated 8 October 2015;
- reviewed the historical financial information for the period to 31 December 2015 included in the prospectus dated 1 March 2016;
- reviewed 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 year we have considered the appointment, compensation, performance and independence of the Company's external auditor, BDO LLP ("BDO").

BDO was the incumbent auditor following the Company's IPO in June 2014 and their appointment is renewed annually. During the year we have met with key members of the audit team, including the lead audit engagement partner, Richard Levy, 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.

¹ Jim Prower is considered to possess recent and relevant financial experience for the purpose of the AIC Code. Further the Audit Committee as a whole is considered to have competence relevant to the sector in which the Company operates for the purposes of the AIC Code. Details of the experience of each member of the Audit Committee can be found in their biographies on pages 50 and 51.

Audit Committee Report continued

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 June 2016). 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. We recognise the importance of auditor objectivity and have reviewed the level of non-audit fees paid to BDO in the year of £216,500. The Audit Committee has also reviewed the terms under which BDO is able to perform non-audit services and we acknowledge that the non-audit services comprised the review of the half year financial statements and reporting accountant services in respect of the Company's equity raises in the past year.

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 certain non-audit work and, therefore, it has been considered that the external auditors be engaged to undertake such work.

The ratio of audit to non-audit work for the year was 111%. Significant expenditure on non-audit work that was authorised in the year is outlined in the table at the bottom of this page.

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 we will make recommendations to the Board in this regard.

Whistleblowing

The Audit Committee is responsible for reviewing the arrangements in place by which the Group's staff may, in confidence, raise concerns about any possible improprieties in matters of financial reporting or otherwise. We are of the view that there are arrangements in place for the proportionate and independent investigation of such matters and for appropriate follow up action.

Share Capital Structures

The share capital structure and restrictions are covered in detail in the Directors' Report on pages 73 to 75.

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 £523.9 million (including the share of joint venture properties) as detailed on page 83 in the Group Statement of Financial Position. As explained in Note 13, individual 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 we have 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, JCRA. 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.

Work Undertaken	Rationale for Using the External Auditor	Fee (£)
Reporting accountant on the Company's secondary offerings	Detailed knowledge and understanding of the business and the requirements of the exercise, having acted as reporting accountant on previous equity fundraisings for the Company. Low risk of self-interest and self-review threat, as the work is not used in the audit of the financial statements.	£164,000
Review of interim results	The threat to auditor independence from audit related services is not significant as only limited work performed at the interim period is used at the year-end.	£52,500

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.

Under IFRS, licence fees 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. The adjusted earnings per share in Note 8 of the financial statements reflect the licence fee in the year.

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 our advice, we have 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 year ended 30 June 2016, 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 of Directors' Responsibilities Statement on page 76.



Jim Prower
Audit Committee Chairman

14 September 2016

Corporate Governance Statement

Relations with Shareholders and Other Stakeholders

The Board recognises the importance of maintaining strong relationships with the Company's shareholders and the Directors place a great deal of importance on communication so as to understand shareholders' views and be aware of any issues and concerns that major shareholders may have.

A regular dialogue provides investors with an opportunity to discuss particular areas of interest.

The Executive Directors, the Company's broker and the Company's joint financial adviser engage with shareholders, institutional fund managers and private wealth managers and brokers on a regular basis. The Board also receives regular feedback from its broker and joint financial adviser on shareholder issues. The Board makes itself available at general meetings of the Company and shareholders are encouraged to attend and vote at such meetings in order that they may discuss governance and strategy with the Board. In addition, 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.

Further communication is achieved through:

- Timely release of information – The Company ensures that any price sensitive information is released to all shareholders at the same time and in accordance with regulatory requirements. In addition, it provides a regular flow of news in order to keep shareholders abreast of the Group's progress.
- The Annual and Half Year Reports – These are the Company's most significant communications tools through which shareholders are kept fully informed regarding the Group's progress and development. The Company seeks to provide a clear and transparent information which provides shareholders with a complete picture of the Group. The Company's Annual and Half Year Reports are dispatched to shareholders by mail and are also available to download from the Company website www.empiric.co.uk.
- The Company website – The website provides shareholders with timely information on the Group's performance, setting out up-to-date information on the Group's property portfolio and providing access to live and archived documents including the financial reports of the Company and regulatory prospectuses as well as webcasts from the most recent results presentations.
- Investor/analyst meetings – The Board takes a proactive approach by inviting investors and analysts to its regular results presentations where they have an opportunity to meet both Directors and members of the management team.
- Site visits – The Company has recently commenced a programme of site visits, accompanying major shareholders on trips to key locations which provides valuable insight into the types of properties and locations in which the Group invests.
- Informal engagement – The Chairman offered to meet, on an informal basis, major shareholders owning over 60% of the Company and met or spoke with 11 institutional shareholders over the course of the year. Given the positive feedback from those shareholders, this initiative is being continued.

While the Company strives to achieve a beneficial level of communication with its shareholder and the investment community, the Board recognises the important contribution of providers of debt capital. The Board maintains a regular and open dialogue with the Group's lenders to help understand their investment appetite and criteria. The strong relationship the Group enjoys with its lenders is evidenced by the provision of additional facilities. Further information on the Group's debt providers can be found in the Chief Financial Officer's Review on page 36 and 37.

Empiric's customers – namely the students residing in its properties – are of critical importance to the Company. In order to better understand the profile of Empiric's customer base, their values and their views on the accommodation and services that the Group provides, the Company commissioned a third party research report. The findings of this report highlighted a number of interesting factors and a follow up survey is under way. It was pleasing to note, however, that a number of the Group's initiatives in terms of accommodation design, facilities and services are supported by the findings of this research and the Board has noted and is seeking to improve areas of weakness that were identified. Further details of this research are set out in the section entitled Our Market – Our Customers on pages 12 to 16.

Corporate and Social Responsibility

Corporate and social responsibility is important to Empiric, and student customers are increasingly concerned about their environment, as might be expected. Empiric already practises good corporate citizenship in the design and standard of the buildings and in terms of how and what it is developing (including the elimination of materials of concern and increasing the use of sustainable materials whenever technically and economically feasible). The Company is committed to completing a formal CSR policy over the next year.

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. As part of its anti-bribery policy put in place in 2014, the Board has adopted a zero tolerance policy towards bribery and has reiterated its commitment to carry out business fairly, honestly and openly. This policy is currently being reviewed by an external compliance consultancy to ensure that it is in line with current best practice.

Modern Slavery Act

The Modern Slavery Act 2015 came into force in October 2015 and, for the first time, the Company is required to report under this legislation. Companies with a turnover of over £36 million per annum are required to comply with this act. During the forthcoming financial year, the Board intends to undertake a comprehensive review to ensure that slavery and human trafficking is not taking place in the Group's supply chains or in any part of the business. Respecting human rights and environmental issues in the supply chain is ultimately our suppliers' responsibility. As a customer, however, the Company plays an active role in supplier development.

In general, the Company's position is that the use of child labour, forced labour (including human trafficking), physical disciplinary abuse and any infraction of the law should be prohibited.

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 1 July 2015 to 30 June 2016, comprising the financial year ended 30 June 2016. This is the second period in which GHG reporting has been conducted by the Company, and so data from the first period report is also shown as a baseline for comparison.

Methodology

The principal methodology used to calculate the emissions reflects the UK Governments' Environmental Reporting Guidelines (2013 version). The UK Government Conversion Factors for Company Reporting 2016 have been applied.

The Company has reported on all emission sources required under the Regulations, with the exception of emissions arising from fuel combustion in building back-up generators and fugitive refrigerants from air-conditioning systems. This is due to technical issues collecting information for these relatively small sources.

Organisational Boundary

The 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.

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 tCO₂e 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 1 July 2015 to 30 June 2016:

Carbon Emissions Data	2015/16	2014/15
Absolute energy use:		
Natural gas (kWh)	9,329,157	2,665,000
Electricity (kWh)	7,282,705	1,881,000
Absolute emissions:		
Scope 1 – Natural gas emissions (tCO ₂ e)	1,717	489
Scope 2 – Electricity emissions (tCO ₂ e)	3,001	987
Total Scope 1 and 2 emissions (tCO₂e)	4,718	1,476
Normalised emissions per operating bed:		
Scope 1 – natural gas emissions (tCO ₂ e/operating bed)	0.58	0.21
Scope 2 – electricity emissions (tCO ₂ e/operating bed)	1.02	0.43
Total Scope 1 and 2 emissions (tCO₂e/operating bed)	1.60	0.64

Statement from the Chairman of the Remuneration Committee

I am pleased to introduce my first Directors' Remuneration Report as Chairman of the Remuneration Committee, having taken over the role from Alexandra Mackesy in January 2016.



Stuart Beevor
Remuneration Committee Chairman¹

The Remuneration Committee Membership

Stuart Beevor Chairman¹

Brenda Dean Jim Prower

Remuneration Policy (the "Policy")

We aim to operate a Policy that is simple, transparent, performance-orientated, supportive of the investment strategy of the Company and which aligns the interests of our Executive Directors with those of our shareholders. I intend to maintain this approach during my chairmanship of the Remuneration Committee.

As no changes are proposed to our Policy for the six-month period to 31 December 2016 (following the change to the Group's accounting reference date), it is not subject to shareholder approval at the forthcoming AGM. However, as outlined elsewhere in this Annual Report, we are exploring the prospects for further diversifying and evolving the Company's investment strategy, our 2025 Plan, on which we are canvassing major shareholders, with any material changes to our Investment Policy being subject to shareholder approval in a general meeting. In parallel, the Remuneration Committee is reviewing our Policy and we will seek approval in due course for a revised Policy and a revised LTIP that supports the delivery of the agreed 2025 Plan objectives. We shall be consulting with our shareholders on the proposed new Policy in advance.

Employee Share Ownership

At last year's AGM, we obtained shareholder approval for an Employee Share Option Plan and, during the past year, we made our first grant under this Plan to employees, excluding Executive Directors. Empiric's staff are vital to the success of the Company, and we are keen to align them with our strategy of growing value for our shareholders over the longer term.

2015/16 Pay Decisions

As highlighted earlier in this Annual Report, 2015/16 has been another successful year for the Company where the Group more than doubled the number of beds contracted, trebled income generated from the portfolio and saw the value of the Group's property portfolio increase by 108% compared to 30 June 2015. This was achieved with the support of three further equity fundraisings which raised gross proceeds of £286.4 million and a further £120 million of debt financing secured, of which £37.9 million was used to refinance existing debt. The first two development projects reached practical completion in the summer of 2015 in time for the 2015/16 academic year and, this summer, we are expecting a further 13 development projects to reach practical completion in time for the 2016/17 academic year, of which three were completed before our financial year-end.

¹ Alexandra Mackesy, who resigned as a Non-Executive Director on 29 February 2016, was Remuneration Committee Chairman until 26 January 2016 when Stuart Beevor took over the role.

On the basis of this performance, 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 in shares deferred for three years. Full details of these annual bonus awards are provided on page 69.

2016 Pay Decisions

Within the scope of our existing Policy, the Remuneration Committee has approved a number of changes to the Executive Directors' pay arrangements for 2016. These changes reflect our continued commitment to best practice, providing alignment with key strategic objectives and ensuring we continue to pay fairly.

Base Salaries

The Company continues to grow rapidly in size and complexity. In the past 12 months alone, the number of operational beds has increased from 2,290 to 4,257 with gross annualised rent on the standing assets increasing from £18.4 million as at 30 June 2015 to £33.1 million as at the current year-end. In addition to the increase in beds, the Group launched its in-house operating platform, Hello Student® and has been steadily migrating the marketing, management and maintenance from third party managers to this platform, a process which is set to continue until all our operating properties are managed through the Hello Student® platform, anticipated to be by September 2018. The market capitalisation of the business has also grown in the past year from c. £250 million to c. £540 million at the year-end. The scale of the Executive Directors' roles have developed significantly in parallel with the Company's growth. After careful consideration of the increase in the scale of their respective roles, the Remuneration Committee has, effective from 1 July 2016, increased the CEO and CIO's salaries by 11% to £360,000 p.a. and the CFO's salary by 4% to £270,000 p.a.

Annual Bonus

Performance measures have been set for the period to 31 December 2016 which reflect key strategic and operational targets, namely investing capital, building dividend cover and successfully delivering the operating model roll out.

Size of LTIP Award

In recognition of the foreshortened six-month financial year to 31 December 2016, LTIP awards to be granted to Executive Directors in this period will be 75% of salary rather than the standard 150% of salary award granted in 2014 and 2015.

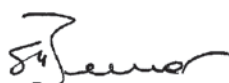
Shareholding Guidelines

We have introduced a minimum shareholding requirement equivalent to 200% of salary for Executive Directors in order to comply with current best practice guidance. All of the Executive Directors currently exceed this requirement.

Full details of how we intend to apply our Remuneration Policy for the six-month period to 31 December 2016 as well as how our Directors were paid for the period ended 30 June 2016 are set out in the Annual Report on Remuneration on pages 67 to 72. There will be an advisory shareholder vote on this section of the Remuneration Report at our 2016 AGM.

The Executive Team has successfully led the Company since its IPO on 30 June 2014 enabling the strategic goal of an efficient 10,000 bed student accommodation market specialist to now be within sight. The Remuneration Committee is confident that the decisions it is taking are in the best interests of shareholders as the Company completes the initial phase of its growth and evolves its 2025 strategy.

We value all feedback from shareholders and look forward to receiving your support at the forthcoming AGM.



Stuart Beever
Remuneration Committee Chairman

14 September 2016

Remuneration Committee Report

Summary of Policy Report

Our Directors' Remuneration Policy was approved by shareholders at the 2015 AGM and came into effect from that date.

There is no shareholder vote on the Policy at this year's AGM but, for shareholders' reference, an extract from the Policy containing the Policy Tables for Executive and Non-Executive Directors has been included below. The full Policy can be found in the 2015 Annual Report on our website at www.empiric.co.uk/investor-information.

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.
Pension	To provide market competitive retirement benefits.	<p>The Company either contributes to the Directors' personal pension arrangements or direct to their pension plans.</p> <p>Alternatively, Directors may receive a cash allowance in lieu of pension.</p>	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.

Component	Purpose and Link to Strategy	Operation	Maximum	Performance Framework
Variable Remuneration				
Annual and Deferred Annual Bonus	<p>To link reward to the achievement of key business objectives for the year.</p> <p>To provide additional alignment with shareholders' interests through the operation of bonus deferral.</p>	<p>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.</p> <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. 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>The maximum annual bonus opportunity is 150% of base salary per annum.</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 bonus is based on performance assessed over one year using appropriate financial and strategic performance measures.</p> <p>The selected measures for the next financial year are set out in the Annual Report in the remuneration section of this Remuneration Report.</p>
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.</p> <p>Vesting then increases on a sliding scale to 100% for achieving a stretching maximum performance target.</p>
Employee Share Option Plan <i>Executive Directors will only be granted share options under the ESOP in exceptional circumstances</i>	To reward employees for the delivery of long-term shareholder value.	<p>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.</p> <p>Options will usually be exercisable between three and ten years following the grant.</p>	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.
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.

Remuneration Committee Report

Summary of Policy 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.</p>

Annual Report on Remuneration

The Annual Report on Remuneration will be subject to an advisory shareholder vote at the 2016 Annual General Meeting.

Implementation of the Remuneration Policy in the Period Ending 31 December 2016

This section provides an overview of how the Committee is proposing to implement the Remuneration Policy in the six-month period ending 31 December 2016.

Base Salary

As described in the Committee Chairman's Annual Statement, the Committee reviewed the Executive Directors' base salaries taking into account the increase in scale and complexity of their roles as the Company has continued to grow rapidly in the past 12 months. The results of that review are set out below:

Executive Director	As at 30 June 2016	From 1 July 2016	Percentage Increase
Paul Hadaway	£325,000	£360,000	11%
Tim Attlee	£325,000	£360,000	11%
Michael Enright	£260,000	£270,000	4%

Pension and Benefits

For the period ending 31 December 2016, Executive Directors will be provided with a standard benefits package including medical insurance, life insurance and car allowance. The pension provision for the period ending 31 December 2016 will remain at 15% of salary.

Annual and Deferred Annual Bonus

For the period ending 31 December 2016, the annual bonus will be determined by three equally weighted performance measures:

- Investing capital (1/3 of bonus)
- Dividend cover (1/3 of bonus)
- Operating model roll-out (1/3 of bonus)

The targets for these measures are currently commercially sensitive. However, retrospective disclosure of the targets and performance against them will be provided in the next remuneration report to the extent that they do not remain commercially sensitive at that time.

Any bonus payout will be subject to the Remuneration Committee confirming that, in its assessment, the financial out-turns which determined the bonus were achieved within an acceptable risk profile.

The maximum payout under the annual bonus scheme will remain at 110% of salary earned during the six-month financial period, with at least 40% of any bonus satisfied by the issue of nil cost options, which will be deferred for three years.

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 up to three years from the date of award.

LTIP

The Committee intends to make an award under the LTIP in September 2016. In recognition of the foreshortened financial year, awards to the Executive Directors will be over shares worth 75% of their annual salary rather than the standard 150% of salary award.

Exercisability of awards will be determined by the Company's TSR performance measured over the three-year period to 30 June 2019. 25% of the awards vest for meeting a "threshold" TSR target increasing to 100% vesting for meeting a "maximum" target. The methodology for calculating the "threshold" and "maximum" TSR targets will be consistent with the methodology used for LTIP awards granted in 2014 and 2015 as set out on pages 69 and 70.

Any LTIP vesting will be subject to the Remuneration Committee confirming that, in its assessment, the vesting out-turn was achieved within an acceptable risk profile.

Malus and clawback may be applied to LTIP awards up to five years from the date of award.

Annual Report on Remuneration continued

Non-Executive Director Remuneration

During 2016, the fee structure for Non-Executive Directors was reviewed in light of the increasing time and commitment required from the roles as the Company continues to grow. The fee structure applying from 1 July 2016 is outlined in the table below. Non-Executive Director fees are determined by the full Board except for the fee for the Chairman of the Board which is determined by the Remuneration Committee.

	Annual Fees £
Basic fee	£40,000
Audit Committee Chairman additional fee	£8,000
Remuneration Committee Chairman additional fee	£8,000
Senior Independent Director additional fee	£9,000 (£4,500 if role is held by an individual who is also a Committee Chairman)
Chairman of the Board all-inclusive fee	£115,000

No fee is paid to Stephen Alston who is an employee of Real Estate Venture Capital Management LLP and who is not considered to be fully independent for the purposes of the Listing Rules.

Single Total Figure of Remuneration (Audited)

The following table sets out the total remuneration for Executive Directors and Non-Executive Directors for the year ended 30 June 2016 alongside the equivalent data for the previous period.

	Year Ending 30 June 2016						Year Ending 30 June 2015					
	Salary and Fees £	Benefits £	Annual Bonus £	Long-term Incentives £	Pension £	Total £	Salary and Fees £	Benefits £	Annual Bonus £	Long-term Incentives £	Pension £	Total £
Executive Directors												
Paul Hadaway	325,000	16,910	357,500	–	48,750	748,160	250,000	13,763	275,000	–	37,500	576,263
Tim Attlee	325,000	13,291	357,500	–	48,750	744,541	250,000	13,763	275,000	–	37,500	576,263
Michael Enright	260,000	14,113	286,000	–	39,000	599,113	181,250	12,705	199,375	–	27,188	420,518
Non-Executive Directors												
Brenda Dean	67,000	–	–	–	–	67,000	67,000	–	–	–	–	67,000
Jim Prower	45,000	–	–	–	–	45,000	45,000	–	–	–	–	45,000
Alexandra Mackesy (until 29 February 2016)	23,333	–	–	–	–	23,333	40,000	–	–	–	–	40,000
Stephen Alston	–	–	–	–	–	–	–	–	–	–	–	–
Stuart Beevor (appointed 1 January 2016)	20,000	–	–	–	–	20,000	–	–	–	–	–	–

Notes to the Table – Methodology

Salary and fees – This represents the cash paid or receivable in respect of the relevant financial year. Michael Enright's annualised full-time equivalent salary throughout the year ended 30 June 2015 was £200,000, however for three months of that year 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 relevant financial year. Executive Directors receive a standard benefits package including medical insurance, life insurance, and a £10,000 per annum car allowance.

Annual bonus – Total bonus payable for the relevant financial year, whether payable in cash or as a deferred share award.

Long-term incentive – These columns relate 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, these columns have 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 (Audited)

Annual Bonus

The Executive Directors are participants in the annual bonus scheme. The maximum annual bonus opportunity for the period ended 30 June 2016 was 110% of salary. 40% of any bonus earned is deferred into shares for three years.

The maximum potential annual bonus that could be paid to Executive Directors in respect of the period ended 30 June 2016 was determined by a combination of dividend growth and NAV growth from development activity. Performance targets are set out below.

Performance Measure	Proportion of Bonus Determined by Measure	Threshold Performance 0% Payable	Maximum Performance 100% Payable	Actual Performance	% of Maximum Bonus Payable
Dividend growth	50%	25% growth (5p dividend)	50% growth (6p dividend)	50% growth (6p dividend)	50%
NAV growth from development assets ¹	50%	3%	5%	5.5–6%	50%
TOTAL					100%

¹ The development assets included in this calculation are those assets completing in the 2016/17 academic year. Growth in the value of those assets has been expressed as a percentage of the Company's capital base and amount to over £20 million.

The Remuneration Committee has confirmed that, in its assessment, the financial out-turns which determined the bonus payout were achieved within an acceptable risk profile and in accordance with the Company strategy.

The table below sets out the resulting annual bonus awards made in respect of the period ended 30 June 2016.

	2016 Bonus Paid in Cash	2016 Bonus to be Awarded in Deferred Shares ¹	Total 2016 Bonus
Paul Hadaway	£214,500	£143,000	£357,500
Tim Attlee	£214,500	£143,000	£357,500
Michael Enright	£171,600	£114,400	£286,000

¹ Receipt of the shares will be deferred for three years.

Scheme Interests Awarded During the Financial Year (Audited)

LTIP Awards

LTIP 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 on the third anniversary of grant.

The following table provides details of the awards granted on 9 November 2015.

	Type of Award	Maximum Number of Shares ¹	Face Value		Threshold Vesting	End of Performance Period
Paul Hadaway	LTIP	460,131	£487,500	150% of salary	25% of award	30 June 2018
Tim Attlee	LTIP	460,131	£487,500	150% of salary	25% of award	30 June 2018
Michael Enright	LTIP	368,105	£390,000	150% of salary	25% of award	30 June 2018

¹ The maximum number of shares awarded has been calculated using the average Company share price for the 12-month period to 31 October 2015 of £1.059 and is stated before the impact of reinvestment of the dividends paid since grant.

Vesting of the 2015 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 to 30 June 2018. 25% of the awards vest for meeting a "threshold" TSR target increasing to 100% vesting for meeting a "maximum" target.

Consistent with the 2014 LTIP awards, the 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:

- For the first 12 months following a fundraising, 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.

Annual Report on Remuneration

continued

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

Under this methodology, the final "threshold" and "maximum" annualised TSR targets applying to the LTIP awards will be dependent upon the pattern of fundraising 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.

As explained in last year's remuneration report, this methodology has been adopted to mirror the pattern of substantial fund raisings that have been carried out by the Company since IPO. A similar methodology will be employed for 2016 LTIP awards.

Statement of Directors' Shareholdings and Share Interests (Audited)

The tables below show the Directors' current share ownership as at 30 June 2016.

With effect from 1 July 2016, the Company has introduced formal shareholding guidelines for the Executive Directors. These guidelines require a Director to build up and retain a shareholding worth at least 200% of salary within a five year period of the introduction of the guideline or, if later, their appointment to the Board. All of the Executive Directors currently exceed this requirement.

Director	Shares Owned Outright at 30 June 2016 (Number of Shares)	% of Salary ¹	Outstanding LTIP Awards Subject to Performance and Employment Conditions at 30 June 2016 ² (Number of Shares)	Outstanding LTIP Awards Subject to Employment Conditions at 30 June 2016 ³ (Number of Shares)
Brenda Dean	48,285	–	–	–
Paul Hadaway	1,340,801	401%	835,131	103,825
Tim Attlee	875,000	262%	835,131	103,825
Michael Enright	749,999	298%	555,605	75,273
Jim Prower	37,935	–	–	–
Stephen Alston	37,051	–	–	–
Stuart Beevor	20,000 ⁴	–	–	–
Alexandra Mackesy	23,000 ⁵	–	–	–

1 Value based on salary effective 1 July 2016 and the closing share price on 30 June 2016 of £1.0775.

2 These are LTIP awards subject to the TSR performance conditions set out on pages 69 and 70.

Number of shares	Grant date		Total
	13 June 2014	9 November 2015	
Paul Hadaway	375,000	460,131	835,131
Tim Attlee	375,000	460,131	835,131
Michael Enright	187,500	368,105	555,605

3 These are deferred awards granted on 9 November 2015 pursuant to the 2014/15 annual bonus scheme.

4 Held jointly between Stuart Beevor and his wife, Kim Beevor.

5 Number of shares held at cessation of period as Director.

Between 30 June 2016 and the date of this report, there were no changes in the shareholdings outlined in the above table.

Deferred Bonus Plan Awards

The Executive Directors' annual bonuses are delivered 60% in cash and 40% in shares under the LTIP. On 9 November 2015, the Executive Directors received an award of shares relating to the annual bonus for the period ending 30 June 2015. The value of these shares was included in the annual bonus figure in the 2015 single total figure of remuneration. No further performance conditions apply to these shares.

	Type of Award	Maximum Number of Shares ¹	Face Value (£)	Vesting Date
Paul Hadaway	Deferred Shares	103,825	£110,000	9 November 2018
Tim Attlee	Deferred Shares	103,825	£110,000	9 November 2018
Michael Enright	Deferred Shares	75,273	£79,750	9 November 2018

1 The maximum number of shares awarded has been calculated using the average Company share price for the 12-month period to 31 October 2015 of £1.059 and is stated before the impact of reinvestment of the dividends paid since grant.

Payments to Past Directors (Audited)

Other than the fees set out in the table on page 70 paid to Alexandra Mackesy during her appointment as a Director, there were no payments to past Directors during the period ended 30 June 2016.

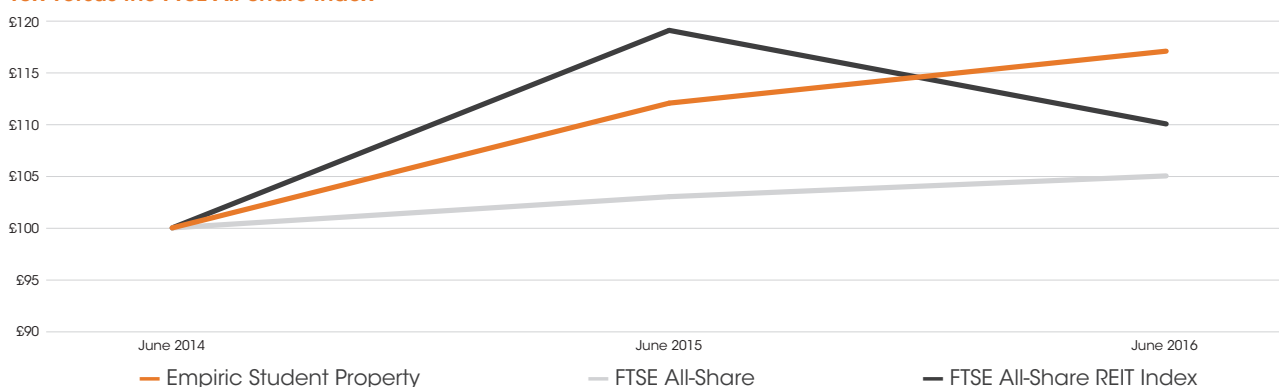
Payments for Loss of Office (Audited)

There were no payments for loss of office to Directors during the period ended 30 June 2016.

Performance Graph and CEO Remuneration Table

The chart below compares the TSR performance of the Company to the FTSE All-Share Index and the FTSE All-Share REIT Index. These indices have been chosen because they are recognised equity market indices of which the Company is a member. The base point in the chart for the Company equates to the IPO price of 100p.

TSR versus the FTSE All-Share Index



Chief Executive Officer Remuneration Outcomes

The table below shows the total remuneration payable to the CEO for the two financial years since IPO as a percentage of the maximum opportunity.

	Year Ended	
	30 June 2015	30 June 2016
CEO single figure of remuneration	£576,263	£748,160
Annual bonus payout (% of maximum)	100%	100%
LTIP vesting	n/a	n/a

Percentage Change in Remuneration of the CEO

The table below shows the change in the various elements of CEO remuneration relative to the change in average employee remuneration¹ between the period ending 30 June 2016 and the previous period and reflects the growth of the Company in both size and complexity.

	CEO Change	Average Employee Change
Base salary	+30% ²	+27%
Benefits	+23%	+16%
Annual bonus	+30%	+38%

¹ Based on the individuals employed by the Group as at 30 June 2015 as this is a more representative group than all current employees.

² As disclosed in last year's remuneration report, the Committee's approach to Executive Director salaries at IPO was cautious in order to assess how the Company progressed as a new publicly traded company. Given the growth in the size of the business, the Remuneration Committee determined at the end of the first year of operation that the Executive Directors' basic salaries should be increased to bring them closer to market levels.

Annual Report on Remuneration continued

Relative Importance of the Spend on Pay

The table below sets out the total expenditure on pay for all of the Company's employees compared to distributions to shareholders by way of dividend.

	Year Ended	
	30 June 2015	30 June 2016
Total staff costs (further details are provided in Note 6 to the Group accounts (page 95))	£2.3m	£3.9m
Total dividends	£4.6m	£20.1m

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 2016, the Remuneration Committee consisted of the following Directors: Stuart Beevor (Chairman since 26 January 2016), Alexandra Mackesy (Chairman until 25 January 2016), Brenda Dean and Jim Prower. The Committee met seven times during the period ending 30 June 2016.

Internal Advice

The CEO, CIO, CFO and Stephen Alston joined Remuneration Committee meetings to provide valuable input. No individual was present when their own remuneration was being discussed. The Company Secretary acted as secretary to the Remuneration Committee.

External Advice

Deloitte LLP was appointed by the Company in 2015 to provide advice on executive remuneration matters. During the year the Committee received independent and objective advice from Deloitte, principally on the drafting of the Remuneration Report, incentive design and market practice. Deloitte was paid £77,250 in fees during the period ending 30 June 2016 for these services (charged on a time plus expenses basis). Deloitte did not provide any other services to the Company during the year. Deloitte is a founding 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.

Shareholder Voting on 2014/15 Remuneration Report

At the 2015 AGM, shareholder support was received for our resolutions on remuneration as summarised below:

	Votes For	Votes Against	Votes Withheld
Approval of the Annual Report on Remuneration	130,280,007 (90.1%)	14,243,727 (9.9%)	3,800
Approval of the Remuneration Policy	111,167,452 (76.9%)	33,356,282 (23.1%)	3,800

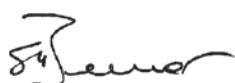
Although a majority of shareholders supported the Remuneration Policy, the Board noted that some significant shareholders raised concerns, particularly in relation to the wording of specific aspects of the Policy. These concerns are being addressed and it is intended that the Policy will be revised and presented for shareholder approval during 2017.

External Board Appointments

Executive Directors are normally entitled to accept external appointments outside the Company with the consent of the Board. Any fees received may be retained by the Director.

As at the date of this report, none of the Executive Directors held an external appointment for which they received a fee.

On behalf of the Board



Stuart Beevor

Remuneration Committee Chairman

14 September 2016

Directors' Report

Introduction

The Directors are pleased to present their Annual Report, including the Company's audited financial statements as at, and for the year ended 30 June 2016.

The Directors' Report, together with the Strategic Report on pages 1 to 42 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 Group Statement of Comprehensive Income as set out on page 82.

The following interim dividends were declared and paid in relation to the year ended 30 June 2016:

Date Dividend Announced	Amount of Interim Dividend	Date Dividend Paid
8 October 2015	1.5p	4 November 2015
1 March 2016	1.5p	23 March 2016
25 May 2016	1.5p	23 June 2016
26 July 2016	1.5p	17 August 2016

Directors

The names of the Directors of the Company who served during the year are set out on page 49, together with the biographical details of the Board as at 30 June 2016 on pages 50 and 51.

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 Ordinary Shares are disclosed in the Annual Report on Remuneration on page 70.

Future Developments

An indication of the likely future developments of the business of the Company is set out in the Strategic Report on pages 1 to 42.

Political Donations

No political donations were made and no political expenditure was incurred during the year.

Employees

The Company had built a diverse and talented team of 55 people as at 30 June 2016. 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 19 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 100p 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 was 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, followed by an issue of 70,921,985 Ordinary Shares on 27 July 2015 and a final issue of 81,151,186 Ordinary Shares on 27 October 2015, all pursuant to the Share Issuance Programme.

Directors' Report continued

On 17 March 2016, shareholders approved a second share issuance programme, under which the Company is authorised to issue up to 165,000,000 Ordinary Shares between March 2016 and March 2017 (the "Second Share Issuance Programme"). On 25 March 2016, the Company issued 116,279,070 Ordinary Shares as part of the Second Share Issuance Programme.

As at 30 June 2016, the total number of Ordinary Shares in issue was 501,279,071.

Ordinary Shares	Number	Gross Proceeds (\$'000)
Balance at start of the period	232,926,830	–
Shares issued in July 2015	70,921,985	75,000
Shares issued in October 2015	81,151,186	86,426
Shares issued in March 2016	116,279,070	125,000
Balance at the end of the period	501,279,071	286,426

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 55 and 56. 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

The information on emissions required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 (the "Regulations") is set out under Corporate and Social Responsibility on page 61.

Substantial Shareholdings

As of 14 September 2016, 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	Number of Ordinary Shares	% Holding of Issued Share Capital
Schroders plc	46,247,175	9.23%
Investec Wealth & Investment Limited	29,939,716	5.97%
BlackRock, Inc	26,072,839	5.20%
East Riding of Yorkshire Council Pension Fund	24,756,828	4.94%
SG Hambros Bank Limited	22,433,756	4.48%
CCLA Investment Management Limited	22,342,444	4.46%
Asset Value Investors	17,159,428	3.42%
Avenue Capital Group CfD	15,946,752	3.18%
Smith & Williamson Holdings Limited	15,192,387	3.03%

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.

Powers in Relation to the Company Issuing or Purchasing its Shares

At a general meeting on 4 November 2015, the Directors were granted a general authority to allot Ordinary Shares in the Company in accordance with section 551 of the Companies Act 2006 up to an aggregate nominal amount of £1,002,701 (based on 100,270,100 Ordinary Shares issued at a nominal amount of £0.01 per share). Of those Ordinary Shares, the Directors were granted authority to issue up to an aggregate nominal amount of £303,848 (based on 30,384,800 Ordinary Shares issued at a nominal amount of £0.01 per share) non-pre-emptively and wholly for cash. These authorities expire at the conclusion of the Company's next AGM.

In addition, at the general meeting on 4 November 2015, the Directors were granted authority to make one or more market purchases of Ordinary Shares in the Company in accordance with sections 693 and 701 of the Companies Act 2006 up to an aggregate number of 45,536,937 Ordinary Shares, within certain price parameters. No Ordinary Shares have been purchased by the Company under this authority, which will expire at the conclusion of the Company's next AGM.

The Directors were also granted authority at a general meeting on 17 March 2016 to allot Ordinary Shares in the Company in accordance with section 551 of the Companies Act 2006, *inter alia*, up to 165,000,000 Ordinary Shares pursuant to the Second Share Issuance Programme and for premium management purposes. The Directors were also granted authority to issue those Ordinary Shares non-pre-emptively and wholly for cash. These authorities expire on 17 March 2017.

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 60.

Post Balance Sheet Events

For all details occurring since the balance sheet date please refer to Note 27 on page 109.

Independent Auditor

BDO LLP have expressed their willingness to continue as auditor for the financial year ending 30 June 2017 and a resolution relating to this appointment will be tabled at the AGM on 25 October 2016.

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.

AGM

The AGM of the Company will be held at the offices of Gowling WLG (UK) LLP, 4 More London Riverside, London SE1 2AU at 11.00am on Tuesday, 25 October 2016.

This Report was approved by the Board on 14 September 2016.

FIM Capital Limited
Company Secretary

14 September 2016

Directors' Responsibilities Statement

The Directors are responsible for preparing the Directors' 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. Under that law, the Directors are required to prepare the Group financial statements and have elected to do so in accordance with IFRS 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 year.

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 IFRS 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 IFRS 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 a 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 are also responsible for safeguarding the assets of the Group and 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, 44, 67 and 73 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 UK 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 IFRS 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 Strategic Report, which has been approved by the Board, 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 2016



Financial Statements

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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 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("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;
- 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.

Overview

Materiality

Overall Group materiality of £6.0 million which represents 0.9% of total assets.

Audit Scope

The whole Group was subject to a full audit. We have obtained an understanding of the controls in place at the Group which assisted us in identifying and assessing risks of material misstatement due to fraud or error as well as assisting us in determining the most appropriate audit strategy.

Areas of Focus

Valuation of the investment property portfolio (including development assets) and rental income.

What We Have Audited

We have audited the financial statements of Empiric Student Property plc for the year ended 30 June 2016 which comprise the Group Statement of Comprehensive Income, the Group Statement of Financial Position, the Company Statement of Financial Position, the Group Statement of Changes in Equity, the Company Statement of Changes in Equity, the Group 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.

Our Application of Materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on the audit and in forming our opinion. Materiality is assessed on both quantitative and qualitative grounds.

Materiality	£6.0 million
Performance materiality	£4.5 million
Specific materiality	£0.4 million
Reporting threshold	£0.12 million

Materiality

We consider materiality to be the magnitude by which misstatements, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements.

We determined the materiality for the Group financial statements as a whole to be £6,000,000 (2015: £3,300,000), which was set at 0.9% of Group total assets (2015: 1.0%). This provides a basis for determining the nature and extent of our risk assessment procedures, identifying and assessing risk of material misstatement and determining the nature and extent of further audit procedures.

We determined that the Group total assets would be the most appropriate basis for determining overall materiality as we consider this to be one of the principal considerations for members of the Company in assessing the financial performance of the Group.

We also determined that for other classes of transactions, balances or disclosures not related to investment properties, a misstatement of less than materiality for the financial statements as a whole could influence the economic decisions of users. As a result, we determined that a materiality for these areas should be £400,000 (2015: £160,000), representing 1.8% of revenue (2015: 1.9%). This specific materiality applies to those items which may affect EPRA earnings, including revenue, property expenses, administrative expenses, finance cost and income, share of results from joint ventures and taxation.

Performance Materiality

The application of materiality at the individual account or balance level is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessment together with our assessment of the Group's overall control environment, our judgement was that overall performance materiality for the Group should be 75% (2015: 75%) of materiality, namely £4,500,000 (2015: £2,475,000).

Reporting Threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to the Committee all individual audit differences in excess of £120,000 (2015: £66,000) and any other differences that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in the light of other relevant qualitative considerations.

An Overview of the Scope of an Audit of the Financial Statements

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or error.

This includes an assessment of:

- whether the accounting policies are appropriate to the circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant estimates made by the Directors; and
- the overall presentation in the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge we acquired in the course of performing our audit. If we become aware of any apparent material misstatements we consider the implications for our report.

Tailoring the Scope of Our Audit and Our Assessment of Risks of Material Misstatement

We designed our audit by determining materiality and assessing the risks of material misstatements in the financial statements. In particular we looked at where the Directors make subjective judgements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The Group operates solely in the UK and through one segment, investment property. The Group audit team performed all the work necessary to issue the Group and Parent Company audit opinions, including undertaking all of the audit work on the key risks of material misstatement. The table below shows the risks we identified that had the greatest effect on the overall audit strategy, the allocation of resources in the audit, and the directing of efforts of the engagement team, together with our audit response to the risks. This is not a complete list of all risks identified by our audit.

This year we included accounting for investment properties under development as a key area of focus given that some 13.7% of the Group's properties were under development at the year-end and accounting for such assets is typically more complex than for the Group's operational assets.

The Audit Committee's consideration of the judgements set out in this section is set out on pages 58 and 59.

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>Valuation of Investment Property Portfolio, Including Properties Under Development</p> <p>The valuation of investment property (including properties under development) requires significant judgement and estimates by management and their external valuer and is therefore considered a significant risk due to the subjective nature of certain assumptions inherent in each valuation. The Group's investment portfolio includes:</p> <ul style="list-style-type: none"> • Operational assets: these are existing properties that are currently let. • Development assets: these are properties being built under forward funded agreements with developers. Such assets have a different risk and investment profile to operational assets. <p>Each valuation requires consideration of the individual nature of the property, its location, its cash flows and comparable market transactions. The valuation of these properties requires the discounting of estimated future cash flows with deductions for costs to complete and an appropriate developer's margin for those under development.</p> <p>Any input inaccuracies or unreasonable bases used in these judgements (such as in respect of estimated rental value and net initial yield applied and estimated costs to complete for assets under development) could result in a material misstatement of the Group Statement of Comprehensive Income or the Group Statement of Financial Position.</p> <p>There is also a risk that management may influence the significant judgements and estimates in respect of property valuations in order to achieve property valuation and other performance targets to meet market expectations or bonus targets.</p> <p>Additionally properties under development may involve licence fees receivable from the developer during the construction phase. Accounting for such assets is typically more complex than for operational assets.</p>	<p>We obtained an understanding of the approach to the valuation of both investment properties and properties under development.</p> <p>We met with the Group's external valuer, who valued all of the Group's investment properties (including those under development), to understand the assumptions and methodologies used in valuing these properties, the market evidence supporting the valuation assumptions and the valuation movements in the year.</p> <p>We assessed 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 valuer's objectivity.</p> <p>We used 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 economic and commercial factors. We assessed the valuation of all investment properties against our own expectation and challenged those valuations which fell outside of our range of expectation.</p> <p>We agreed the key observable valuation inputs supplied to and used by the external valuer and Directors as appropriate. For properties under development we assessed the project costs to date, the progress of development and we verified the forecast costs to complete included in the valuations through analysis of the costs to date, management forecasts and development status. We also reviewed the accounting treatment of licence fees receivable from the developer during the development phase.</p>
<p>Rental Income</p> <p>Rental income is recognised on a straight-line basis over the lease term for the Group's operational 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 tenancy agreements or is inappropriately recognised.</p>	<p>We obtained an understanding of the approach to revenue recognition for all revenue streams.</p> <p>We agreed a sample of revenue recognised to rental agreements across the portfolio of operational assets. We performed detailed analytical review procedures based upon the lease testing for each property.</p> <p>We tested the deferred income recognised at 30 June 2016 for a sample of properties to ensure that income received in advance had been appropriately deferred.</p>

Respective Responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement, 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.

Opinion on Other Matters Prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the 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 on page 55, and pages 73 and 74 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.

Statement Regarding the Directors' Assessment of Principal Risks, Going Concern and Longer-Term Viability of the Company

We have nothing material to add or to draw attention to in relation to:

- the Directors' confirmation in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements; or
- the Directors' explanation in the Annual Report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be

able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Matters on Which We Are Required to Report by Exception

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report and Accounts 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 Directors' 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 pages 55 and 56, in relation to going concern and longer-term viability; 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 by the Listing Rules of the Financial Conduct Authority.

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
UK
14 September 2016

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

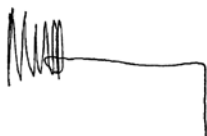
Group Statement of Comprehensive Income

	Notes	Year Ended 30 June 2016 £'000	Period from 11 February 2014 to June 2015 £'000
Continuing operations			
Revenue	2	21,600	8,303
Property expenses	3	(6,092)	(2,170)
Net rental income		15,508	6,133
Administrative expenses	4	(7,262)	(4,794)
Change in fair value of investment property	13	21,724	11,284
Operating profit		29,970	12,623
Finance cost		(4,552)	(1,324)
Finance income		910	161
Net finance costs	5	(3,642)	(1,163)
Share of results from joint ventures	14	1,793	2,760
Profit before income tax		28,121	14,220
Corporation tax	7	-	-
Profit for the period		28,121	14,220
Other comprehensive income			
<i>Items that will be reclassified to statement of comprehensive income</i>			
Fair value loss on cash flow hedge		(1,237)	(206)
Total comprehensive income for the period		26,884	14,014
Earnings per share expressed in pence per share	8		
Basic		7.29	9.67
Diluted		7.23	9.61

Group Statement of Financial Position

	Notes	At 30 June 2016 £'000	At 30 June 2015 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	297	79
Intangible assets – Hello Student® website	12	737	–
Investment property – operational assets	13	443,440	218,750
Investment property – development assets	13	70,754	21,025
Investment in joint venture	14	4,197	8,378
Derivative financial assets	19	18	229
Total non-current assets		519,443	248,461
Current assets			
Trade and other receivables	15	18,716	4,175
Cash and cash equivalents	16	163,923	78,788
Total current assets		182,639	82,963
Total assets		702,082	331,424
LIABILITIES			
Current liabilities			
Trade and other payables	17	14,974	4,055
Borrowings	18	9,257	750
Derivative financial liability	19	479	–
Deferred income	17	4,418	2,377
Total current liabilities		29,128	7,182
Non-current liabilities			
Borrowings	18	143,639	83,398
Derivative financial liability	19	1,206	449
Total non-current liabilities		144,845	83,847
Total liabilities		173,973	91,029
Total net assets		528,109	240,395
Equity			
Called up share capital	20	5,013	2,329
Share premium	21	359,958	82,280
Capital reduction reserve	22	121,236	141,417
Retained earnings		43,345	14,575
Cash flow hedge reserve		(1,443)	(206)
Total equity		528,109	240,395
Total equity and liabilities		702,082	331,424
NAV per share basic (p)	9	105.35	103.21
NAV per share diluted (p)	9	104.73	102.79
EPRA NAV per share (p)	9	105.73	103.40

These financial statements were approved by the Board of Directors on 14 September 2016 and signed on its behalf by:

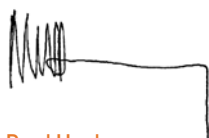


Paul Hadaway
Director

Company Statement of Financial Position

	Notes	At 30 June 2016 £'000	At 30 June 2015 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	133	79
Investment in subsidiaries	31	5,117	–
Investment in joint venture	14	2,952	5,618
Total non-current assets		8,202	5,697
Current assets			
Trade and other receivables	15	511	404
Amounts due from Group undertakings	15	460,845	209,191
Cash and cash equivalents	16	143,819	58,863
Total current assets		605,175	268,458
Total assets		613,377	274,155
LIABILITIES			
Current liabilities			
Trade and other payables	17	1,681	1,036
Amounts due to Group undertakings	17	134,163	50,642
Total current liabilities		135,844	51,678
Total net assets		477,533	222,477
Equity			
Called up share capital	20	5,013	2,329
Share premium	21	359,958	82,280
Capital reduction reserve	22	121,236	141,417
Retained earnings		(8,674)	(3,549)
Total equity		477,533	222,477
Total equity and liabilities		613,377	274,155

These financial statements were approved by the Board of Directors on 14 September 2016 and signed on its behalf by:



Paul Hadaway
Director

Group Statement of Changes in Equity

	Called Up Share Capital £'000	Share Premium £'000	Capital Reduction Reserve £'000	Retained Earnings £'000	Cash Flow Hedge Reserve £'000	Total Equity £'000
Year ended 30 June 2016						
Balance at 1 July 2015	2,329	82,280	141,417	14,575	(206)	240,395
Changes in equity						
Profit for the period	-	-	-	28,121	-	28,121
Fair value loss on cash flow hedge	-	-	-	-	(1,237)	(1,237)
Total comprehensive income for the period	-	-	-	28,121	(1,237)	26,884
Issue of share capital	2,684	283,742	-	-	-	286,426
Share issue costs	-	(6,064)	-	-	-	(6,064)
Share-based payments	-	-	-	649	-	649
Dividends	-	-	(20,181)	-	-	(20,181)
Total contributions and distributions recognised directly in equity	2,684	277,678	(20,181)	649	-	260,830
Balance at 30 June 2016	5,013	359,958	121,236	43,345	(1,443)	528,109
Period from 11 February 2014 to June 2015						
Changes in equity						
Profit for the period	-	-	-	14,220	-	14,220
Fair value loss on cash flow hedge	-	-	-	-	(206)	(206)
Total comprehensive income for the period	-	-	-	14,220	(206)	14,014
Issue of share capital	2,379	233,321	-	-	-	235,700
Share issue costs	-	(5,270)	-	-	-	(5,270)
Redemption of share capital at par	(50)	-	-	-	-	(50)
Share-based payments	-	-	-	355	-	355
Reduction in share premium	-	(145,771)	145,771	-	-	-
Dividends	-	-	(4,354)	-	-	(4,354)
Total contributions and distributions recognised directly in equity	2,329	82,280	141,417	355	-	226,381
Balance at 30 June 2015	2,329	82,280	141,417	14,575	(206)	240,395

Company Statement of Changes in Equity

	Called Up Share Capital £'000	Share Premium £'000	Capital Reduction Reserve £'000	Retained Earnings £'000	Total Equity £'000
Year ended 30 June 2016					
Balance at 1 July 2015	2,329	82,280	141,417	(3,549)	222,477
Changes in equity					
Loss for the period	-	-	-	(5,774)	(5,774)
Total comprehensive loss for the period	-	-	-	(5,774)	(5,774)
Issue of share capital	2,684	283,742	-	-	286,426
Share issue costs	-	(6,064)	-	-	(6,064)
Share-based payments	-	-	-	649	649
Dividends	-	-	(20,181)	-	(20,181)
Total contributions and distributions recognised directly in equity	2,684	277,678	(20,181)	649	260,830
Balance at 30 June 2016	5,013	359,958	121,236	(8,674)	477,533
Period from 11 February 2014 to June 2015					
Changes in equity					
Loss for the period	-	-	-	(3,904)	(3,904)
Total comprehensive loss for the period	-	-	-	(3,904)	(3,904)
Issue of share capital	2,379	233,321	-	-	235,700
Share issue costs	-	(5,270)	-	-	(5,270)
Redemption of share capital at par	(50)	-	-	-	(50)
Share-based payments	-	-	-	355	355
Reduction in share premium	-	(145,771)	145,771	-	-
Dividends	-	-	(4,354)	-	(4,354)
Total contributions and distributions recognised directly in equity	2,329	82,280	141,417	355	226,381
Balance at 30 June 2015	2,329	82,280	141,417	(3,549)	222,477

Group Statement of Cash Flows

	Year Ended 30 June 2016 £'000	Period from 11 February 2014 to June 2015 £'000
Cash flows from operating activities		
Profit before income tax	28,121	14,220
Share-based payments	649	355
Depreciation and amortisation	113	16
Finance income	(910)	(161)
Finance costs	4,552	1,324
Share of results from joint venture	(1,793)	(2,760)
Change in fair value of investment property	(21,724)	(11,284)
	9,008	1,710
Increase in trade and other receivables	(14,541)	(4,175)
Increase in trade and other payables	10,919	3,817
Increase in deferred rental income	2,041	2,377
	(1,581)	2,019
Net cash flows generated from operations	7,427	3,729
Cash flows from investing activities		
Purchases of tangible fixed assets	(287)	(95)
Purchases of intangible assets	(781)	-
Investments in joint ventures	(1,108)	(5,618)
Purchase of investment property	(235,999)	(209,749)
Interest received	910	161
Net cash flows from investing activities	(237,265)	(215,301)
Cash flows from financing activities		
Share issue proceeds	286,426	235,650
Share issue costs	(6,064)	(5,270)
Dividends paid	(20,181)	(4,354)
Restricted shares issued	-	50
Restricted shares redeemed	-	(50)
Bank borrowings drawn	99,117	66,600
Bank borrowings repaid	(37,860)	-
Loan arrangement fee paid	(2,124)	(1,194)
Finance cost (excluding fair value loss on derivatives)	(4,341)	(1,072)
Net cash flows from financing activities	314,973	290,360
Increase in cash and cash equivalents	85,135	78,788
Cash and cash equivalents at beginning of period	78,788	-
Cash and cash equivalents at end of period	163,923	78,788

Company Statement of Cash Flows

	Year Ended 30 June 2016 £'000	Period from 11 February 2014 to June 2015 £'000
Cash flows from operating activities		
Loss before income tax	(5,774)	(3,904)
Share-based payments	649	355
Depreciation charge	29	16
Finance income	(826)	(123)
	(5,922)	(3,656)
Increase in trade and other receivables	(107)	(404)
Increase in trade and other payables	645	1,036
	538	632
Net cash flows generated from operations	(5,384)	(3,024)
Cash flows from investing activities		
Purchases of tangible fixed assets	(83)	(95)
Investments in subsidiaries	(4,952)	-
Investments in joint ventures	(1,108)	(5,618)
Payments to/on behalf of subsidiaries	(248,045)	(209,191)
Repayments from subsidiaries	83,521	50,642
Interest received	826	123
Net cash flows from investing activities	(169,841)	(164,139)
Cash flows from financing activities		
Share issue proceeds	286,426	235,650
Share issue costs	(6,064)	(5,270)
Dividends paid	(20,181)	(4,354)
Restricted shares issued	-	50
Restricted shares redeemed	-	(50)
Net cash flows from financing activities	260,181	226,026
Increase in cash and cash equivalents	84,956	58,863
Cash and cash equivalents at beginning of period	58,863	-
Cash and cash equivalents at end of period	143,819	58,863

Notes to the Financial Statements

1. Accounting Policies

1.1 Trading Period

The consolidated financial statements of the Group reporting period is from 1 July 2015 to 30 June 2016.

1.2 Basis of Preparation

The consolidated financial statements of the Group for the period to 30 June 2016 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 IFRS as issued by the International Accounting Standards Board ("IASB") as adopted by the European Union.

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 the Company's functional currency.

The Company has applied the exemption allowed under section 408(1b) of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The Group profit for the year includes a loss after taxation of £5.77 million (2015: £3.90 million) for the Company, which is dealt with in the financial statements of the Parent Company.

1.3 Going Concern

The consolidated financial statements have been prepared on a going concern basis as explained in the Director's Report on pages 73 to 75.

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 an independent external real estate valuation expert, 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 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 and an appropriate developer's margin.

(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 JCRA 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 have commercial property leases in place 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

1. Accounting Policies continued

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 2016. 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:

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) 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 UK 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.

Intangible Assets

Intangible assets are initially recognised at cost and then subsequently carried at cost less accumulated amortisation and impairment losses.

Amortisation has been charged to the Consolidated Statement of Comprehensive Income on a straight-line basis over ten years for website development costs.

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 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.

1. Accounting Policies continued

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.

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.

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.
- 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 on 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.

Notes to the Financial Statements continued

1. Accounting Policies continued

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.

Forward Funded Arrangements

Under the terms of certain funding agreements, the Group commits to pay the total fixed price construction cost to the developer upon entering into the agreement. As construction costs are incurred, funds are released subject to the authorisation of the Group's subsidiary that has contracted the development, along with the appropriate monitoring surveyor certification.

Licence Fees Receivable

During the period between initial investment in a forward funded agreement and the practical completion date, the Group typically earns licence fee income. This is payable by the developer to the Group once the development is complete. Under IFRS, such licence fees are deducted from the cost of the investment and are shown as a receivable until settled. Any economic benefit of the licence fee is reflected within the Group Statement of Comprehensive Income as a movement in the fair value of investment property.

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 Group 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 designated this as a hedging instrument in the cash flow hedge at inception. 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 Group Statement of Comprehensive Income.

Operating leases

Rentals paid under operating leases are charged to the Group 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 the Group 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 using tax rates enacted during the period.

1. Accounting Policies continued

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 Group 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 Group Statement of Comprehensive Income over the remaining vesting period. National Insurance obligations with respect to equity-settled share-based payments awards are accrued over the 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.

1.5 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)
- IFRS 15: Revenue from Contracts with Customers (effective 1 January 2018 subject to EU endorsement)
- IFRS 16: Leases (effective 1 January 2019)

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	
	Year Ended 30 June 2016 £'000	Period from 11 February 2014 to 30 June 2015 £'000
Student rental income	20,616	7,588
Commercial rental income	723	380
Rental income	21,339	7,968
Development services	261	335
Total revenue	21,600	8,303

3. Property Expenses

	Group	
	Year Ended 30 June 2016 £'000	Period from 11 February 2014 to 30 June 2015 £'000
Direct site costs	2,782	771
Technology services	332	715
Site office and utilities	1,873	326
Cleaning and service contracts	615	182
Repairs and maintenance	490	176
Total property expenses	6,092	2,170

Of the above £2,782,000 (2015: £771,000) of direct site costs, £260,000 (2015: £231,000) relates to cost of providing development services.

Notes to the Financial Statements continued

4. Administrative Expenses

	Group	
	Year Ended 30 June 2016 £'000	Period from 11 February 2014 to 30 June 2015 £'000
Salaries and Directors' remuneration	3,321	2,248
Legal and professional fees	1,470	993
Other administrative costs	1,248	981
Irrecoverable VAT	469	430
	6,508	4,652
Auditor's fees		
Fees payable for the audit of the Group's annual accounts	160	87
Fees payable for the review of the Group's interim accounts	53	25
Fees payable for the audit of the Group's initial accounts	–	9
Fees payable for the audit of the Group's subsidiaries	35	21
Total auditor's fees	248	142
Abortive acquisition costs	271	–
Non-capitalised Hello Student Website Development	235	–
Total administrative expenses	7,262	4,794

The auditor has also received £164,000 in respect of providing reporting accountant services in relation to share offerings in the year (2015: £272,000). These fees have been treated as share issue expenses and offset against the share premium account.

5. Net Finance Cost

	Group	
	Year Ended 30 June 2016 £'000	Period from 11 February 2014 to 30 June 2015 £'000
Finance cost		
Fair value loss on interest rate cap	211	9
Interest expense on bank borrowings	3,986	972
Amortisation of loan transaction costs	355	100
Fair value loss on inception of interest rate swap	–	243
	4,552	1,324
Finance income		
Interest received on bank deposits	910	161
Net finance costs	3,642	1,163

6. Employees and Directors

	Group	
	Year Ended 30 June 2016 £'000	Period from 11 February 2014 to 30 June 2015 £'000
Total wages and salaries	1,606	1,126
Less: capitalised salary costs	(258)	-
Pension costs	179	102
Cash bonus	601	450
Share-based payments	691	355
National Insurance	502	214
	3,321	2,247

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

Management	3	3
Administration – ESP	14	7
Administration – Hello Student®	20	-
	37	10

Directors' Remuneration	Group	
	Year Ended 30 June 2016 £'000	Period from 11 February 2014 to 30 June 2015 £'000
Salaries and fees	1,110	873
Pension costs	137	102
Cash bonus	601	450
Share-based payments	691	355
	2,539	1,780

£258,000 of wages and salaries are directly related to the costs necessary to develop the Hello Student® website and related applications and have therefore been capitalised within Intangible Assets.

A summary of the Directors' emoluments, including the disclosures required by the Companies Act 2006 is set out in the Annual Report on Remuneration on pages 67 to 72.

Notes to the Financial Statements continued

7. 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:

- (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;
- (iii) at least 90% of the tax exempt profit of the property rental business (excluding gains) of the accounting period must 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 year ended 30 June 2016.

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	
	Year Ended 30 June 2016 £'000	Period from 11 February 2014 to 30 June 2015 £'000
Current tax		
Income tax charge/(credit) for the period	-	-
Adjustment in respect of prior period	-	-
Total current income tax charge/(credit) in the income statement	-	-
Deferred tax		
Total deferred income tax charge/(credit) in the income statement	-	-
Total current 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	
	Year Ended 30 June 2016 £'000	Period from 11 February 2014 to 30 June 2015 £'000
Profit for the period	28,121	14,220
Profit before tax multiplied by the rate of corporation tax in the UK of 20.00% (June 2015: 20.75%)	5,624	2,951
Exempt property rental profits in the period	(1,332)	(694)
Exempt property revaluations in the period	(4,454)	(2,914)
Effects of:		
Non-allowable expenses	-	105
Residual property revaluations in the year	110	-
Unutilised current period tax losses	52	552
Total current income tax charge/(credit) in the income statement	-	-

A deferred tax asset in respect of the tax losses generated by the residual (non-tax exempt) business of the Group of £52,000 (2015: £552,000) 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.

8. 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:

	Calculation of Basic EPS	Calculation of Diluted EPS	Calculation of EPRA Basic EPS	Calculation of EPRA Adjusted Basic EPS	Calculation of EPRA Diluted EPS
Year to 30 June 2016					
Earnings (£'000)	28,121	28,121	28,121	28,121	28,121
Adjustment to include licence fee receivable on forward funded developments in the year (£'000)	-	-	-	2,140	-
Adjustments to remove:					
Changes in fair value of investment properties (Note 13) (£'000)	-	-	(21,724)	(21,724)	(21,724)
Changes in fair value of share in joint venture investment	-	-	(1,450)	(1,450)	(1,450)
Changes in fair value of interest rate derivatives (Note 19) (£'000)	-	-	211	211	211
Earnings/adjusted earnings (£'000)	28,121	28,121	5,158	7,298	5,158
Weighted average number of shares ('000)	385,889	385,889	385,889	385,889	385,889
Adjustment for employee share options ('000)	-	2,957	-	-	2,957
Total number shares ('000)	385,889	388,846	385,889	385,889	388,846
Per-share amount (p)	7.29	7.23	1.34	1.89	1.33
Period from 11 February 2014 to 30 June 2015					
Earnings (£'000)	14,220	14,220	14,220	14,220	14,220
Adjustment to include licence fee receivable on forward funded developments in the period (£'000)	-	-	-	-	-
Adjustments to remove:					
Changes in fair value of investment properties (Note 13) (£'000)	-	-	(11,284)	(11,284)	(11,284)
Changes in fair value of share in joint venture investment	-	-	(2,750)	(2,750)	(2,750)
Changes in fair value of interest rate derivatives (Note 19) (£'000)	-	-	9	9	9
Earnings/adjusted earnings (£'000)	14,220	14,220	195	195	195
Weighted average number of shares ('000)	146,996	146,996	146,996	146,996	146,996
Adjustment for employee share options ('000)	-	938	-	-	938
Total number shares ('000)	146,996	147,934	146,996	146,996	147,934
Per-share amount (p)	9.67	9.61	0.13	0.13	0.13

The ordinary number of shares is based on the time weighted average number of shares throughout the period.

EPRA EPS, reported on the basis recommended for real estate companies by EPRA, is a key measure of the Group's operating results.

EPRA adjusted earnings is a performance measure used by the Board to assess the Group's dividend payments. Licence fees receivable during the period are added to earnings on the basis noted below.

The adjustment for licence fee receivable is calculated by reference to the fraction of the total period of completed construction during the period, multiplied by the total licence fee receivable on a given forward funded asset.

The licence fee adjustment above differs to Note 13 by £594,000 as it includes the licence fee deducted in respect of the final payment on completion of the development of St Peter Street.

Notes to the Financial Statements continued

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

Basic NAV per share is calculated by dividing net assets in the Statement of Financial Position attributable to ordinary equity holders of the parent by the number of Ordinary 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 Ordinary Shares.

NAVs have been calculated as follows:

	Group	
	30 June 2016 £'000	30 June 2015 £'000
Net assets per Statement of Financial Position	528,109	240,395
Adjustment to exclude the fair value loss on financial instruments	1,905	458
EPRA NAV	530,014	240,853

Ordinary Shares	Number	Number
Issued share capital	501,279,071	232,926,830
Issued share capital plus employee options	504,236,462	233,864,330

	Pence	Pence
NAV per share basic	105.35	103.21
NAV per share diluted	104.73	102.79
EPRA NAV per share basic	105.73	103.40
EPRA NAV per share diluted	105.11	102.99

10. Dividends Paid

	Group and Company	
	Year Ended 30 June 2016 £'000	Period from 11 February 2014 to 30 June 2015 £'000
Interim dividend in respect of period ended 31 December 2014 at 1.5p per Ordinary Share	–	1,275
Interim dividend in respect of period ended 31 December 2014 at 0.5p per Ordinary Share	–	750
Interim dividend in respect of period ended 31 March 2015 at 1.0p per Ordinary Share	–	2,329
Interim dividend in respect of period ended 30 June 2015 at 1.0p per Ordinary Share	2,329	–
Interim dividend of 1.5p per Ordinary Share in respect of the quarter ended 30 September 2015	4,558	–
Interim dividend of 1.5p per Ordinary Share in respect of the quarter ended 31 December 2015	5,775	–
Interim dividend of 1.5p per Ordinary Share in respect of the quarter ended 31 March 2016	7,519	–
	20,181	4,354

On 26 July 2016, the Company announced the declaration of a final interim dividend in respect of the financial year ended 30 June 2016, of 1.5 pence per Ordinary Share amounting to £7.5 million, which was paid on 17 August 2016 to Ordinary Shareholders.

11. Property, Plant and Equipment

Year Ended 30 June 2016	Group			Company		
	Fixtures and Fittings £'000	Computer Equipment £'000	Total £'000	Fixtures and Fittings £'000	Computer Equipment £'000	Total £'000
Costs						
As at 1 July 2015	75	20	95	75	20	95
Additions	167	120	287	19	64	83
As at 30 June 2016	242	140	382	94	84	178
Depreciation						
As at 1 July 2015	11	5	16	11	5	16
Charge for the period	43	26	69	18	11	29
As at 30 June 2016	54	31	85	29	16	45
Net book value as at 30 June 2016	188	109	297	65	68	133

Period from 11 February 2014 to June 2015	Group			Company		
	Fixtures and Fittings £'000	Computer Equipment £'000	Total £'000	Fixtures and Fittings £'000	Computer Equipment £'000	Total £'000
Costs						
As at 11 February 2014	–	–	–	–	–	–
Additions	75	20	95	75	20	95
As at 30 June 2015	75	20	95	75	20	95
Depreciation						
As at 11 February 2014	–	–	–	–	–	–
Charge for the period	11	5	16	11	5	16
As at 30 June 2015	11	5	16	11	5	16
Net book value as at 30 June 2015	64	15	79	64	15	79

12. Intangible Assets

Year Ended 30 June 2016	Group	
	Hello Student® Website Development £'000	Total £'000
Costs		
As at 1 July 2015	–	–
Additions	781	781
As at 30 June 2016	781	781
Depreciation		
As at 1 July 2015	–	–
Charge for the period	44	44
As at 30 June 2016	44	44
Net book value as at 30 June 2016	737	737

Notes to the Financial Statements continued

13. Investment Property

Year Ended 30 June 2016	Group				
	Investment Properties Freehold £'000	Investment Properties Long Leasehold £'000	Total Operational Assets £'000	Properties Under Development £'000	Total Investment Property £'000
As at 1 July 2015	193,375	25,375	218,750	21,025	239,775
Property additions	131,258	48,352	179,610	73,085	252,695
Transfer of completed developments	33,869	–	33,869	(33,869)	–
Change in fair value during the year	9,758	1,453	11,211	10,513	21,724
As at 30 June 2016	368,260	75,180	443,440	70,754	514,194

Period from 11 February 2014 to June 2015	Group				
	Investment Properties Freehold £'000	Investment Properties Long Leasehold £'000	Total Operational Assets £'000	Properties Under Development £'000	Total Investment Property £'000
As at 11 February 2014	–	–	–	–	–
Property additions	185,370	24,310	209,680	18,811	228,491
Change in fair value during the period	8,005	1,065	9,070	2,214	11,284
As at 30 June 2015	193,375	25,375	218,750	21,025	239,775

During the year £1,500,000 (2015: nil) of additions related to expenditure incurred subsequent to the initial purchase of operational assets.

In accordance with IAS 40, the carrying value of investment property is the fair value as determined by independent external valuers. This valuation has been conducted by CBRE Limited, as external valuers, and has been prepared as at 30 June 2016, in accordance with the Appraisal & Valuation Standards of the Royal Institution of Chartered Surveyors ("RICS"), on the basis of market value. Properties have been valued on an individual basis. This value has been incorporated into the financial statements.

The 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 NAV.

Whilst the outcome of the UK referendum vote on 23 June 2016 has created a period of uncertainty in relation to many factors that impact the property investment and letting markets, its timing was such that it has not been possible for the valuers to gauge its impact on values at 30 June 2016 by reference to transactions in the market. Consequently, CBRE has advised that the probability that the valuation would exactly coincide with the price achieved, were there to be a sale, has reduced. This situation is likely to remain until the number and consistency of comparable transactions in the market increases, particularly in the UK. Having consulted with CBRE subsequent to the period end, the Directors believe it is appropriate to adopt the valuations when preparing these financial statements.

The table below reconciles between the fair value of Investment Property per the Group Statement of Financial Position and Investment Property per the independent valuation performed in respect of each period end.

	Group	
	As at 30 June 2016 £'000	As at 30 June 2015 £'000
Value per independent valuation report	523,890	251,275
Less:		
Investment in joint ventures	(8,150)	(11,500)
	515,740	239,775
Less:		
Licence fee receivable	(1,546)	–
Fair value per Group Statement of Financial Position	514,194	239,775

13. Investment Property continued

Fair Value Hierarchy

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

Date of Valuation 30 June 2016	Total £'000	Quoted Prices in Active Markets (Level 1) £'000	Significant Observable Inputs (Level 2) £'000	Significant Unobservable Inputs (Level 3) £'000
Assets measured at fair value:				
Student properties	492,624	–	–	492,624
Commercial properties	21,570	–	–	21,570
As at 30 June 2016	514,194	–	–	514,194

Date of Valuation 30 June 2015	Total £'000	Quoted Prices in Active Markets (Level 1) £'000	Significant Observable Inputs (Level 2) £'000	Significant Unobservable Inputs (Level 3) £'000
Assets measured at fair value:				
Student properties	229,220	–	–	229,220
Commercial properties	10,555	–	–	10,555
As at 30 June 2015	239,775	–	–	239,775

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 IFRS.

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:

- Unobservable input: rental income
The rent at which space could be let in the market conditions prevailing at the date of valuation.
Range £93 per week – £329 per week (2015: £98 – £325 per week).
- Unobservable input: rental growth
The estimated average increase in rent based on both market estimations and contractual arrangements.
Assumed growth of 2.78% used in valuations (2015: 3.00%).
- Unobservable input: Net Initial Yield ("NIY")
The NIY 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: 5.00%–6.35% (2015: 5.75%–6.75%).
- Unobservable input: physical condition of the property
- Unobservable input: planning consent
No planning enquiries undertaken for any of the development properties.
- 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.

Notes to the Financial Statements continued

13. Investment Property continued

As a result the following sensitivity analysis has been prepared by the valuer:

As at 30 June 2016	-3% Change in Rental Income £'000	+3% Change in Rental Income £'000	-0.25% Change in Yield £'000	+0.25% Change in Yield £'000
(Decrease)/increase in the fair value of investment properties	(22,200)	22,770	25,430	(22,710)

As at 30 June 2015	-3% Change in Rental Income £'000	+3% Change in Rental Income £'000	-0.25% Change in Yield £'000	+0.25% Change in Yield £'000
(Decrease)/increase 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 and 0.25% in the net initial yield will not have a material impact on the financial statements.

14. Joint Ventures

Brunswick – Southampton

In April 2016, the Group bought Revcap's 50% share of the Southampton joint venture, Empiric (Southampton) Limited for £5,117,000. At the date of this transaction, this joint venture had external debt of £9,960,000. As a result, additions of investment property of £21,649,000 were recognised. This acquisition (and the full valuation) is reflected in the investment property movement for the year.

Willowbank – Glasgow

In July 2014 the Group entered a joint venture with Revcap to develop a 178 room site in Glasgow called Willowbank. The total cost of the development is forecast to be £14,200,000. Funding for the development has been obtained with a contribution of equity and debt (50% from each entity). The development will be complete in time for the beginning of the 2016/17 academic year.

Net Assets and Results of the Joint Ventures

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

Year Ended 30 June 2016	Willowbank		Brunswick		Total	
	Gross £'000	Share £'000	Gross £'000	Share £'000	Gross £'000	Share £'000
Investment property	16,300	8,150	-	-	16,300	8,150
Cash and cash equivalents	1,002	501	-	-	1,002	501
Loans and borrowings	(7,024)	(3,512)	-	-	(7,024)	(3,512)
Trade and other receivables	130	65	-	-	130	65
Trade and other payables	(2,013)	(1,007)	-	-	(2,013)	(1,007)
Net assets	8,395	4,197	-	-	8,395	4,197

Period from 11 February 2014 to June 2015	Willowbank		Brunswick		Total	
	Gross £'000	Share £'000	Gross £'000	Share £'000	Gross £'000	Share £'000
Investment property	6,850	3,425	16,150	8,075	23,000	11,500
Cash and cash equivalents	153	77	(82)	(41)	71	36
Loans and borrowings	-	-	(6,817)	(3,409)	(6,817)	(3,409)
Other current assets	224	112	2,712	1,356	2,936	1,468
Other current liabilities	(288)	(145)	(2,145)	(1,072)	(2,433)	(1,217)
Net assets	6,939	3,469	9,818	4,909	16,757	8,378

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

Following the acquisition of Revcap's shares in Empiric (Southampton) Limited, the carrying value of the Group's investments in joint ventures has decreased to £4,197,000 (2015: £8,378,000 increase) during the period ended 30 June 2016.

14. Joint Ventures continued:

The following table shows how the decrease has arisen:

	Group		Company	
	Year Ended 30 June 2016 £'000	Period from 11 February 2014 to 30 June 2015 £'000	Year Ended 30 June 2016 £'000	Period from 11 February 2014 to 30 June 2015 £'000
Capital invested in Willowbank	929	2,023	929	2,023
Net capital movement in Brunswick	(6,903)	3,595	(3,595)	3,595
	(5,974)	5,618	(2,666)	5,618
Group's share of net revaluation gains	1,450	2,750	-	-
Group's share of other trading results	343	10	-	-
	1,793	2,760	-	-
Total movement in investment in joint ventures in the period	(4,181)	8,378	(2,666)	5,618
Carrying value brought forward	8,378	-	5,618	-
Carrying value carried forward	4,197	8,378	2,952	5,618

15. Trade and Other Receivables

	Group		Company	
	30 June 2016 £'000	30 June 2015 £'000	30 June 2016 £'000	30 June 2015 £'000
Trade receivables	500	484	-	-
Other receivables	4,647	817	358	331
Amounts owed by property managers	3,192	-	-	-
Prepayments	7,846	2,700	146	-
VAT recoverable	2,531	174	7	73
	18,716	4,175	511	404
Amounts due from Group undertakings	-	-	460,845	209,191
	18,716	4,175	461,356	209,595

As there were no material trade receivables past due at the period end, no aged analysis of trade receivables has been included. The Directors consider that the carrying value of trade and other receivables approximate to their fair value.

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 Group Statement of Financial Position:

	Group		Company	
	30 June 2016 £'000	30 June 2015 £'000	30 June 2016 £'000	30 June 2015 £'000
Cash and cash equivalents	163,923	78,788	143,819	58,863

Notes to the Financial Statements continued

17. Trade and Other Payables

	Group		Company	
	30 June 2016 £'000	30 June 2015 £'000	30 June 2016 £'000	30 June 2015 £'000
Trade payables	6,040	717	382	–
Other payables and accrued expenses	2,540	913	173	436
Accrued expenses	5,540	1,913	272	88
Directors' bonus accrual	854	512	854	512
	14,974	4,055	1,681	1,036
Amounts owed to Group undertakings	–	–	134,163	50,642
	14,974	4,055	135,844	51,678

At 30 June 2016, there was deferred rental income of £4,418,000 (2015: £2,377,000) which was rental income that had been booked that relates to future periods.

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 shown below:

	Group					
	Bank Borrowings Drawn 30 June 2016 £'000	Bank Borrowings Undrawn 30 June 2016 £'000	Total 30 June 2016 £'000	Bank Borrowings Drawn 30 June 2015 £'000	Bank Borrowings Undrawn 30 June 2015 £'000	Total 30 June 2015 £'000
Balance brought forward	85,343	20,000	105,343	–	–	–
Bank borrowings in the period	108,374	–	108,374	85,343	–	85,343
Bank borrowings repaid during the period	(37,860)	–	(37,860)	–	–	–
Bank borrowings available but undrawn in the period	–	40,773	40,773	–	20,000	20,000
	155,857	60,773	216,630	85,343	20,000	105,343

The Group has entered into three separate banking facilities during the period, drawing on £99,117,000 (2015: £85,343,000) of additional debt and assuming £9,257,000 of debt from the acquisition of the joint venture, whilst having an undrawn debt facility available of £60,773,000 at 30 June 2016 (2015: £20,000,000). The weighted average term to maturity of the Group's debt as at the period end is 9.7 years (2015: 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 £298,690,000 at 30 June 2016 (2015: £186,575,000). 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 2016 £'000	30 June 2015 £'000
Balance brought forward	84,593	–
Total bank borrowings in the period	108,374	85,343
Less bank borrowings: repaid during the period	(37,860)	–
Less bank borrowings: due within one year	(8,507)	(750)
Bank borrowings drawn: due in more than one year	146,600	84,593
Less: unamortised costs	(2,961)	(1,195)
Non-current liabilities: bank borrowings	143,639	83,398

18. Bank borrowings continued

Maturity of Bank Borrowings

	Group	
	30 June 2016 £'000	30 June 2015 £'000
Repayable between one and two years	–	750
Repayable between two and five years	35,500	52,743
Repayable in over five years	111,100	31,100
Bank borrowings drawn: due in more than one year	146,600	84,593

Each of the Group's facilities has an interest charge which is payable quarterly. One facility interest charge is based on a margin above three-month LIBOR whilst the other three facility interest rates are fixed at 3.97%, 3.24% and 5.00%. The weighted average interest payable by the Group on its debt portfolio as at the period end was 3.54% (2015: 3.20%).

19. Interest Rate Derivatives

To mitigate the interest rate risk that arises as a result of entering into variable rate linked loans, the Group has entered into an interest rate cap and interest rate swap. 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 five-year life of the loan.

On 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 2016 was £1.2 million (2015: £0.2 million) recognised in other comprehensive income. £479,000 of this derivative liability has been recognised as a current liability.

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

	30 June 2016 £'000	30 June 2015 £'000
Non-current assets: Interest rate derivatives – cap	18	229
Current liabilities: Interest rate derivatives – swap	(479)	–
Non-current liabilities: Interest rate derivatives – swap	(1,206)	(449)

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 2016 £'000	30 June 2015 £'000
Interest rate cap premium – opening fair value	229	238
Changes in fair value of interest rate derivatives	(211)	(9)
Closing fair value	18	229

	30 June 2016 £'000	30 June 2015 £'000
Total bank borrowings	155,857	85,343
Total fixed borrowings	(120,357)	(31,100)
Total floating rate borrowings	35,500	54,243
Notional value of borrowings hedged by interest rate derivative – swap	35,500	35,500
Proportion of notional value of interest rate swap derivative to floating rate bank borrowings	100.0%	65.40%

Notes to the Financial Statements continued

19. Interest Rate Derivatives continued

Fair Value Hierarchy

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

Assets/(Liability) Measured at Fair Value:	Date of Valuation	£'000	Group		
			Quoted Prices in Active Markets (Level 1) £'000	Significant Observable Inputs (Level 2) £'000	Significant Unobservable Inputs (Level 3) £'000
	30 June 2016				
Interest rate derivative – cap		18	–	18	–
Interest rate derivative – swap		(1,685)	–	(1,685)	–
	30 June 2015				
Interest rate derivative – cap		229	–	229	–
Interest rate derivative – swap		(449)	–	(449)	–

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.

20. Share Capital

Ordinary Shares Issued and Fully Paid at 1p Each

	Group and Company		Group and Company	
	30 June 2016 Number	30 June 2016 £'000	30 June 2015 Number	30 June 2015 £'000
Balance brought forward	232,926,830	2,329	–	–
Issued on incorporation	–	–	1	–
Issued at IPO June 2014	–	–	85,000,000	850
Issued in relation to further equity issuances	268,352,241	2,684	147,926,829	1,479
Balance carried forward	501,279,071	5,013	232,926,830	2,329

There have been no share issues since 30 June 2016.

21. Share Premium

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

	Group and Company	
	30 June 2016 £'000	30 June 2015 £'000
Balance brought forward	82,280	–
Share premium on Ordinary Shares issued in relation to IPO	–	84,150
Share issue expenses in relation to IPO	–	(1,869)
Share premium on Ordinary Shares issued in relation to further equity share issuance	283,742	149,171
Costs associated with the issue of Ordinary Shares	(6,064)	(3,401)
Transfer to Capital Reduction Reserve	–	(145,771)
Balance carried forward	359,958	82,280

22. Capital Reduction Reserve

	Group and Company	
	30 June 2016 £'000	30 June 2015 £'000
Balance brought forward	141,417	-
Transfer from share premium	-	145,771
Less interim dividends declared and paid per note 10	(20,181)	(4,354)
Balance carried forward	121,236	141,417

The Capital Reduction Reserve account is a distributable reserve.

Refer to Note 10 for details of the declaration of dividends to shareholders.

23. Leasing Agreements

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

On Office Space Currently Rented	Group	
	30 June 2016 £'000	30 June 2015 £'000
Less than one year	141	141
Between one and five years	282	422
Total	423	563

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

	Group	
	30 June 2016 £'000	30 June 2015 £'000
Less than one year	5,392	6,073
Between one and five years	19,713	2,295
More than five years	10,484	4,346
Total	35,589	12,714

The above relates to commercial leases and nomination agreements with UK universities in place as at 30 June 2016. The impact of student leases for the forthcoming academic year signed by 30 June 2016 have not been included as the leases may be cancelled up until the tenant takes occupation of the accommodation.

24. Contingent Liabilities

There were no contingent liabilities at 30 June 2016 (2015: £nil).

25. Capital Commitments

The Group and Company had capital commitments amounting to £1,858,000 in respect of its joint venture development at 30 June 2016.

The Group had capital commitments relating to forward funded developments totalling £75,356,000 at 30 June 2016 (2015: £44,050,000).

Notes to the Financial Statements continued

26. 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 no related party property purchases in the year to 30 June 2016.

During the period 14 February 2014 to 30 June 2015, there were a number of properties that were acquired from a joint venture between London Cornwall Property Partners Ltd ("LCPP") and Real Estate Venture Capital ("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 an employee of Revcap

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 Michael Enright was a senior debt provider.

Share Capital

The table below details the share transactions of related parties during the year ended 30 June 2016:

Name	How Related	Number of Shares	Transaction	Date
Rock Nominees Limited (Paul Hadaway)	Director	62,510	Purchased	27 October 2015
Rock Nominees Limited (Paul Hadaway)	Director	31,285	Purchased	21 March 2016
Paul Hadaway	Director	125,000	Purchased	21 March 2016
Michael Enright	Director	104,999	Purchased	21 March 2016
Baroness Brenda Dean	Chairman	4,785	Purchased	21 March 2016
Redmayne Bentley (Brenda Dean)	Chairman	10,000	Purchased	21 March 2016
Jim Prower	Director	14,175	Purchased	21 March 2016
Killik & Co (Stephen Alston)	Director	12,500	Purchased	21 March 2016

Share transactions of related parties during the period from 11 February 2014 to 30 June 2015 were as follows:

Name	How Related	Number of Shares	Transaction	Date
Tim Attlee	Director	875,000	Purchased	30 June 2014
Paul Hadaway	Director	1	Purchased	11 February 2014
Paul Hadaway	Director	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

26. Related Party Disclosures continued

Share-based Payments

On 9 November 2015, nil cost options were granted to Executive Directors in the amounts of:

Paul Hadaway	563,956 shares
Tim Attlee	563,956 shares
Michael Enright	443,378 shares

Details of the shares granted are outlined in Note 28 – share-based payments.

Other

Payments for professional services totalling £300,000 (excluding VAT) were made to Revcap. Revcap are deemed to be a related party as one of their employees, Stephen Alston, is a Non-Executive Director of the Company.

27. Subsequent Events

Property Transactions

Bath

On 18 July 2016, the Group acquired the freehold of a 31 bed student accommodation property in Bath for £2.6 million (excluding costs). 2 Oolite Road is a newly constructed student accommodation asset that was completed in May 2016 for the 2016/17 academic year.

Exeter – Prospect Portfolio

On 16 August 2016, the Group acquired the freehold of the operating property, Isca Lofts, in Exeter, with a total of 71 beds, for a cash consideration of £4.7 million.

London – Prospect Portfolio

Also on 16 August 2016, the Group acquired the freeholds of two operating properties in London, Grosvenor Hall in Twickenham, with 72 beds and Francis Gardner Hall in West Hampstead, with 70 beds for £6.2 million and £10.6 million, respectively.

Canterbury

On 1 September 2016, the Group acquired the freehold of a 79 bed student accommodation property in Canterbury for £9.2 million (excluding costs).

Birmingham

On 2 September 2016, the Group entered into a forward funding arrangement with Linford CZero Ltd to develop a 185 bedroom scheme, The Emporium, in central Birmingham, for a total investment of £19.53 million.

Other Transactions

Also on the 18 July 2016, the Group agreed a new loan facility of £32.8 million with AIB Group (UK) PLC. The facility is secured against a portfolio of five forward funded assets, held as a lending group through a wholly-owned subsidiary of the Group.

The facility is a development loan which will be drawn down in agreed stages over the development period with practical completion of all five forward funded assets expected by July 2017.

On 26 July 2016, the Company announced the declaration of a final interim dividend in respect of the financial year ended 30 June 2016, of 1.5p per Ordinary Share amounting to £7.5 million, which was paid on 17 August 2016 to Ordinary Shareholders.

On 7 September 2016, the Group agreed a new loan facility of £30.63 million with The Royal Bank of Scotland plc ("RBS").

The facility is secured against a portfolio of five forward funded assets, held as a lending group through a wholly-owned subsidiary.

Notes to the Financial Statements continued

28. Share-Based Payments

The Company operates two equity-settled share-based remuneration schemes for Executive Directors under the deferred annual bonus and a long-term incentive plan. The details of the schemes are included in the Remuneration Committee Report on page 62.

On 9 November 2015, the Company granted nil-cost options over a total of 282,923 Ordinary Shares pursuant to the deferred shares element of the annual bonus awards for the 2014/15 financial year (the "Annual Bonus Awards") and nil-cost options over a total of 1,288,367 Ordinary Shares pursuant to the Empiric 2014 Long-Term Incentive Plan (the "2015–2018 LTIP Awards") to the Company's three Executive Directors (Paul Hadaway 563,956, Tim Attlee 563,956 and Michael Enright 443,378).

None of these nil-cost options are currently exercisable.

The fair value on date of grant for the nil-cost options under the 2015–2018 LTIP Awards was priced using the Monte Carlo pricing model.

As at 30 June 2016 the charge recognised relating to the options was £649,000 (2015: £355,000).

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.

	Group and Company	
	Year Ended 30 June 2016 £'000	Period from 11 February 2014 to 30 June 2015 £'000
Outstanding number brought forward	937,500	–
Granted during the period	1,571,290	937,500
Outstanding number carried forward	2,508,790	937,500

The following information is relevant in the determination of the fair value of these nil-cost options:

- (a) Weighted average share price at grant date of £1.1025.
- (b) Exercise price of £nil.
- (c) Contractual life of three years.
- (d) Expected volatility of 25.7%.
- (e) Expected dividend yield of 0%.
- (f) Risk free rate of 0.98%.
- (g) The volatility assumption is based on a statistical analysis of daily share prices of comparator companies over the last three years.
- (h) The TSR performance conditions have been considered when assessing the fair value of the options.

29. 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.

29. Financial Risk Management continued

(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.

(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:

At 30 June 2016	On Demand £'000	Less than Three Months £'000	Three to 12 Months £'000	One to Five Years £'000	> Five Years £'000	Total £'000
Bank borrowings and interest	-	1,251	13,691	56,050	135,763	206,755
Swap derivatives	-	156	476	1,453	-	2,085
Trade and other payables	-	14,974	-	-	-	14,974
	-	16,381	14,167	57,503	135,763	223,814

At 30 June 2015	On Demand £'000	Less than Three Months £'000	Three to 12 Months £'000	One to Five Years £'000	> Five Years £'000	Total £'000
Bank borrowings and interest	-	851	2,570	62,721	48,237	114,379
Swap derivatives	-	156	476	2,096	-	2,728
Trade and other payables	-	4,055	-	-	-	4,055
	-	5,062	3,046	64,817	48,237	121,162

30. 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.

Notes to the Financial Statements continued

31. Subsidiaries

Those subsidiaries listed below are considered to be all subsidiaries of the Company at 30 June 2016, with the shares issued being Ordinary Shares. During the year, the Company acquired the remaining interest in Empiric (Southampton) Limited (refer to Note 14).

In each case the country of incorporation is UK.

	Company 30 June 2016 £'000
As at 1 July 2015	–
Additions in the period	5,117
Balance at 30 June 2016	5,117

	Status	Ownership %	Principal Activity
Brunswick Contracting Limited	Active	100%	Property investment
Empiric (Alwyn Court) Limited	Active	100%	Property investment
Empiric (Baptists Chapel) Leasing Limited	Active	100%	Property leasing
Empiric (Baptists Chapel) Limited	Active	100%	Property investment
Empiric (Bath Canalside) Limited	Active	100%	Property investment
Empiric (Bath James House) Limited	Active	100%	Property investment
Empiric (Bath JSW) Limited	Active	100%	Property investment
Empiric (Bath Piccadilly Place) Limited	Active	100%	Property investment
Empiric (Birmingham) Limited	Active	100%	Property investment
Empiric (Bristol) Leasing Limited	Active	100%	Property investment
Empiric (Bristol) Limited	Active	100%	Property investment
Empiric (Buccleuch Street) Limited	Active	100%	Property investment
Empiric (Buccleuch Street) Leasing Limited	Dormant	100%	Property leasing
Empiric (Cardiff Wndsr House) Limited	Active	100%	Property investment
Empiric (Cardiff Wndsr House) Leasing Limited	Active	100%	Property leasing
Empiric (Centro Court) Limited	Active	100%	Property investment
Empiric (Claremont Newcastle) Limited	Active	100%	Property investment
Empiric (College Green) Limited	Active	100%	Property investment
Empiric (Developments) Limited	Active	100%	Property investment
Empiric (Durham St Margarets) Limited	Active	100%	Property investment
Empiric (Edge Apartments) Limited	Active	100%	Property investment
Empiric (Exeter Bonhay Road) Limited	Active	100%	Property investment
Empiric (Exeter Bonhay Road) Leasing Limited	Active	100%	Property leasing
Empiric (Exeter City Service) Limited	Active	100%	Property investment
Empiric (Exeter DCL) Limited	Active	100%	Property investment
Empiric (Exeter LL) Limited	Dormant	100%	Property investment
Empiric (Falmouth Maritime Studios) Limited	Active	100%	Property investment
Empiric (Falmouth Ocean Bowl) Limited	Active	100%	Property investment
Empiric (Glasgow Ballet School) Limited	Active	100%	Property investment
Empiric (Glasgow Bath St) Limited	Dormant	100%	Property investment
Empiric (Glasgow George Square) Leasing Limited	Active	100%	Property leasing
Empiric (Glasgow George Square) Limited	Active	100%	Property investment
Empiric (Glasgow George St) Leasing Limited	Active	100%	Property leasing
Empiric (Glasgow George St) Limited	Active	100%	Property investment
Empiric (Glasgow Bath St) Limited	Active	100%	Property investment
Empiric (Glasgow) Leasing Limited	Active	100%	Property leasing
Empiric (Glasgow) Limited	Active	100%	Property investment
Empiric (Hatfield CP) Limited	Active	100%	Property investment
Empiric (Huddersfield Oldgate House) Leasing Limited	Dormant	100%	Property leasing
Empiric (Huddersfield Oldgate House) Limited	Active	100%	Property investment
Empiric (Huddersfield Snow Island) Leasing Limited	Active	100%	Property leasing
Empiric (Lancaster Penny Street 1) Limited	Active	100%	Property investment
Empiric (Lancaster Penny Street 2) Limited	Active	100%	Property investment
Empiric (Lancaster Penny Street 3) Limited	Active	100%	Property investment

31. Subsidiaries continued

	Status	Ownership %	Principal Activity
Empiric (Leeds Algernon) Limited	Active	100%	Property investment
Empiric (Leeds St Marks) Limited	Active	100%	Property investment
Empiric (Leicester Peacock Lane) Limited	Active	100%	Property investment
Empiric (Liverpool Art School/Maple House) Limited	Active	100%	Property investment
Empiric (Liverpool Chatham Lodge) Limited	Active	100%	Property investment
Empiric (Liverpool Grove Street) Limited	Active	100%	Property investment
Empiric (Octagon/Hayward) Limited	Active	100%	Property investment
Empiric (London Camberwell) Limited	Active	100%	Property investment
Empiric (London Road) Limited	Active	100%	Property investment
Empiric (Manchester Ladybarn) Limited	Active	100%	Property investment
Empiric (Newcastle Metrovick) Limited	Active	100%	Property investment
Empiric (Northgate House) Limited	Active	100%	Property investment
Empiric (Nottingham 95 Talbot) Leasing Limited	Dormant	100%	Property leasing
Empiric (Nottingham 95 Talbot) Limited	Active	100%	Property investment
Empiric (Nottingham Frontage) Leasing Limited	Active	100%	Property leasing
Empiric (Nottingham Frontage) Limited	Active	100%	Property investment
Empiric (Oxford Stonemason) Limited	Active	100%	Property investment
Empiric (Picturehouse Apartments) Limited	Active	100%	Property investment
Empiric (Portobello House) Leasing Limited	Dormant	100%	Property leasing
Empiric (Portobello House) Limited	Dormant	100%	Property investment
Empiric (Portsmouth Europa House) Limited	Active	100%	Property investment
Empiric (Portsmouth Europa House) Leasing Limited	Active	100%	Property leasing
Empiric (Portsmouth Registry) Limited	Active	100%	Property investment
Empiric (Provincial House) Leasing Limited	Active	100%	Property leasing
Empiric (Provincial House) Limited	Active	100%	Property investment
Empiric (Snow Island) Limited	Active	100%	Property investment
Empiric (Southampton) Leasing Limited	Active	100%	Property leasing
Empiric (Southampton) Limited	Active	100%	Property investment
Empiric (St Andrews Ayton House) Leasing Limited	Active	100%	Property leasing
Empiric (St Andrews Ayton House) Limited	Active	100%	Property investment
Empiric (St Peter Street) Leasing Limited	Dormant	100%	Property leasing
Empiric (St Peter Street) Limited	Active	100%	Property investment
Empiric (Stirling Forthside) Leasing Limited	Dormant	100%	Property leasing
Empiric (Stirling Forthside) Limited	Dormant	100%	Property investment
Empiric (Stoke Caledonia Mill) Limited	Active	100%	Property investment
Empiric (Summit House) Limited	Active	100%	Property investment
Empiric (Talbot Studios) Limited	Active	100%	Property investment
Empiric (Trippet Lane) Leasing Limited	Active	100%	Property leasing
Empiric (Trippet Lane) Limited	Active	100%	Property investment
Empiric (York Lawrence Street) Limited	Active	100%	Property investment
Empiric Acquisitions Limited	Active	100%	Property investment
Empiric Investment Holdings (Four) Limited	Active	100%	Property investment
Empiric Investment Holdings (Three) Limited	Active	100%	Property investment
Empiric Investment Holdings (Two) Limited	Active	100%	Property investment
Empiric Investments (Four) Limited	Active	100%	Property investment
Empiric Investments (One) Limited	Active	100%	Property investment
Empiric Investments (Three) Limited	Active	100%	Property investment
Empiric Investments (Two) Limited	Active	100%	Property investment
Empiric Student Property Plc	Active	100%	Property investment
Empiric Student Property Trustees Limited	Dormant	100%	Property investment
Hello Student Management Limited	Active	100%	Property management
Empiric (Reading Saxon Court) Limited	Active	100%	Property investment
Empiric (Reading Saxon Court) Leasing Limited	Active	100%	Property leasing
Empiric (Manchester Victoria Point) Limited	Active	100%	Property investment
Empiric (Leicester Bede Park) Limited	Active	100%	Property investment

Notes to the Financial Statements continued

31. Subsidiaries continued

	Status	Ownership %	Principal Activity
Empiric (Leicester 136–138 New Walk) Limited	Active	100%	Property investment
Empiric (Leicester 160 Upper New Walk) Limited	Active	100%	Property investment
Empiric (Leeds Pennine House) Limited	Active	100%	Property investment
Empiric Investment Holdings (Five) Limited	Active	100%	Property investment
Empiric Investment Holdings (Six) Limited	Active	100%	Property investment
Empiric Investments (Five) Limited	Active	100%	Property investment
Empiric Investments (Six) Limited	Active	100%	Property investment
Empiric (Leicester 140–42 New Walk) Limited	Active	100%	Property investment
Empiric (Leicester 134 New Walk) Limited	Active	100%	Property investment
Empiric (Leicester De Montfort Square) Limited	Active	100%	Property investment
Empiric (Canterbury Pavilion Court) Limited	Active	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)
Stephen Alston (Non-Executive Director)
Stuart Beevor (Non-Executive Director)

Joint Financial Adviser

Akur Limited
66 St James's Street
London SW1A 1NE

Joint Financial Adviser and Broker

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

Legal Adviser to the Company

Gowling WLG (UK) 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
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Notes



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