ESP

Safe, homely and modern living spaces

Strategic Report

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ESP

Who we are

Purpose

To help students make the most of their university life by providing safe and modern living spaces with service that makes them feel at home

Responsibility

We are inclusive and thoughtful about ESG, contributing fully to our communities, thereby creating long-term sustainable value for all our stakeholders

Customer Proposition

We provide fully serviced, modern but characterful student homes, not halls, that are safe and convenient, within a friendly and supportive community environment

Culture

Our team are our key focus, by working together we deliver a safe, friendly environment and high-quality personalised service for our customers

Mission

To build and operate clusters of high-quality student homes in desirable locations, that create vibrant communities for discerning customers, and in doing so deliver attractive shareholder returns

Highlights

Progress on the operational transformation and insourcing programme has continued throughout the year and has significantly improved our ability to respond quickly, effectively and responsibly to the challenges posed by the COVID-19 pandemic.

Financial

Revenue

£59.4m

2019 — £70.9m *Change — (16)%*

Gross Margin (%)

61.9%

2019 — 67.1% *Change — (8)%*

Adjusted Earnings Per Share

2.30p

2019 — 4.43p *Change — (48)%*

Property Valuation

£1,005m

2019 — £1,029m *Change — (2)%*

Net Asset Value Per Share (p)

105.0p

2019 — 110.2p *Change — (5)%*

Total Return (%)

(3.6)%

2019 — 8.6% *Change — (142)%*

Loan to Value (%)

35.4%

2019 — 32.9% *Change — +8%*

Operational

We were in good shape as we began 2020. We had completed the majority of our insourcing journey and were seeing the benefits through improved financial performance from our more robust operating model.

2020 was, however, a challenging year due to the COVID-19 pandemic, but the changes we have implemented over the past few years has ensured we have a more resilient business model.

– Our underlying business (excluding the valuation impact on our portfolio) continued to trade profitably during 2020.
– We implemented a number of actions to ensure that we operated safely throughout the pandemic, continuing to provide COVID-19 secure homes, critical services, and enhanced programmes to ensure the safety and wellbeing of our students and colleagues.
– Physical occupancy levels of above 50% achieved during each of the three national lockdowns.
– We conducted a comprehensive review of the operational team structure, and as a result moved to a more optimal structure, which enables us to improve customer service delivery.
– In November 2020, we successfully launched our new revenue management system and all bookings for the academic year 2021/22 are now managed in-house.
– A new CEO and Head of Property were inducted into the business in Q4 2020.

The COVID-19 pandemic did affect our ability to optimise the impact of our operational changes, in particular our asset disposal programme, and our ability to deliver a stable dividend to our shareholders.

Whilst uncertainty remains, we are confident the changes made to our operations and the commitment of our staff will enable us to manage successfully through the COVID-19 challenges and put us in a strong position to drive sustainable shareholder value in the future.

Financial

Our financial performance has been materially impacted by the COVID-19 pandemic. We have explained the impact of COVID-19 on our results on page 30.

Strategy in action

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Customers: Prioritising safety and welfare on page 18.

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People and Operations: Agile response on page 19.

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Buildings: Growing portfolio on page 23.

Chairman's Statement

Sustainable long-term growth delivery

"Our people have shown tireless commitment and skill in addressing the challenges posed by the COVID-19 pandemic. We kept all of our properties open and appropriately staffed, whilst continuing to serve our customers in a safe, secure environment. We remain committed to supporting and doing the right thing by each student on a case-by-case basis."

MARK PAIN
Non-Executive Chairman
16 March 2021

As we entered 2020 we were making good progress against our medium-term objectives; creating an in-house operating platform, growing revenue, reducing costs, and increasing our operating margin and dividend cover.

However, since March 2020, we have, like many others, faced challenges on an unprecedented scale as a result of the COVID-19 pandemic which has caused significant disruption to our business and had a substantial impact on our financial performance (see page 30). Nevertheless, we remain well positioned to continue to respond effectively to the challenge today and into the future.

Our People

Our continued progress is only possible because of the dedication and ability of all of our people. I would like to thank everyone in our business for their contribution over the past year.

The views of our people are extremely important because they are at the heart of our customer proposition and core to us living our brand. We carried out two colleague engagement surveys in 2020. Response rates were over 70% and engagement scores were in excess of 80% as set out on page 15. Comments provided by survey respondents helped the business and Board to understand what needs to be done to make Empiric a great place to work.

Our Colleague Forum, formed of colleagues across the Group, met ten times during the year to discuss a variety of topics. See page 37 for detail.

Health and Safety

Having insourced our FM activities we now have complete control of our health and safety environment. We continue to enhance our monitoring and make our buildings as safe as possible. See page 29 for more detail on health and safety.

Environmental, Social and Governance ("ESG")

Having spent the past two and a half years restructuring the business, insourcing, and building a responsible and effective operating platform, we are now in a position to reflect on: how we perform as stewards of the environment, how we meet our social obligations to employees, suppliers, customers and the communities in which we operate to deliver a more resilient, sustainable and responsible business and create further value to our stakeholders.

At the core of our proposition is a commitment to create a sustainable, positive, environmental, social and economic legacy for our shareholders, customers, colleagues and wider stakeholders.

During 2020 we created a Board-level ESG Committee, which will meet quarterly, tasked with providing a roadmap to deliver a significant step change in our approach to ESG which is a strategic priority for the next 12 months. This will further help us to confirm and disclose the actual and potential impacts of ESG-related risks and opportunities that are material to our business, strategy and financial planning. Pages 32-41 have more detail on our approach to ESG.

Board Appointments and Succession

On 18 March 2020 we announced that Tim Attlee would be stepping down from his role as Chief Executive Officer of the Company at the end of June 2020. Tim co-founded and helped float Empiric in 2014. As the Company's Chief Investment Officer, Tim led the Company's asset acquisition and development programme.

On 26 June, after a rigorous selection process, we appointed Duncan Garrood as our new Chief Executive. Duncan is an experienced and proven business leader with excellent business development and operational capabilities in PLCs and large privately-owned businesses in the UK and overseas. He has strong operational, sales and marketing skills, and extensive experience in commercial businesses with significant real estate assets. Duncan joined Empiric on 28 September 2020.

The Board effectiveness review (see page 54 for more details) concluded that the Board and its Committees continued to operate effectively throughout 2020.

Dividends

On 17 February 2020, the Board declared a dividend of 1.25 pence per ordinary share in respect of the quarter ended 31 December 2019, which was paid on 20 March 2020.

On 31 March 2020, due to uncertainty created by COVID-19, the Group announced a number of actions to strengthen further its cash position. This included the Board's decision, whilst remaining mindful of its REIT tax obligations, to suspend all future dividend distributions until market conditions stabilised.

The Board is mindful of the importance of the dividend to many shareholders and will seek to resume dividends at an appropriate level as soon as there is sufficient clarity of outlook. For this, we would need to see more commitment in the approach of universities to face-to-face teaching and a significant improvement in occupation and rental income.

AGM

Our 2020 AGM will be held on 25 May 2021. We are monitoring developments in UK regulations in relation to how AGMs may be held during this period. Further details about the AGM will be provided in the AGM Notice.

Looking Forward

The operational transformation of the business is largely complete and we are now embedding and driving sustainable performance from our new operating model. There is still more to be done to deliver the performance we are capable of and we remain focused intensely on delivering for all our stakeholders.

At the time of writing, we are facing the challenges being posed by the COVID-19 pandemic. We remain vigilant and are closely monitoring the situation and will provide updates as appropriate. Protecting and supporting our customers, colleagues and other stakeholders whilst underpinning the value of our assets for shareholders will continue to guide our actions over the coming months.

Handling the COVID-19 crisis

Our response to the COVID-19 pandemic has been underpinned by three key priorities: keeping our people, customers and communities safe, maintaining critical services for our customers while supporting their wellbeing and protecting value for our shareholders.

Our Senior Leadership Team has shown tireless commitment and skill in responsibly addressing the challenges posed by the COVID-19 pandemic. We kept all of our properties open, COVID-19 secure and appropriately staffed, serving our customers in a safe, secure environment.

More detail on how we managed the impact of COVID-19 can be found on pages 6 to 7.

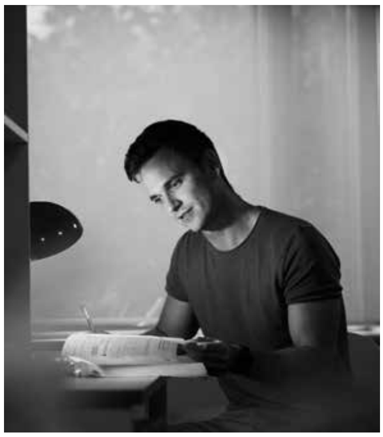
Colleague Engagement Score

83%

(2019: 75%)

Financial Overview

See page 30 for detail and explanation of our financial performance for the year, including our refinancing. Going Concern is discussed on page 43.



At a Glance

Our top priority remains the health, safety and welfare of our residents, employees and wider stakeholders. We recognise that these are particularly challenging times for all students, and we remain committed to supporting and doing the right thing by each student on a case-by-case basis, whilst also protecting the long-term value of the Group.

Empiric offers students places where they want to live. Our properties are some of the best in the market and our people get to know our students well, so we provide a more responsible and responsive service. This approach – combined with the smaller size and individual character of our buildings – helps to foster a strong sense of community, encouraging students to stay with us in future years. In short, we offer our students homes, not halls.

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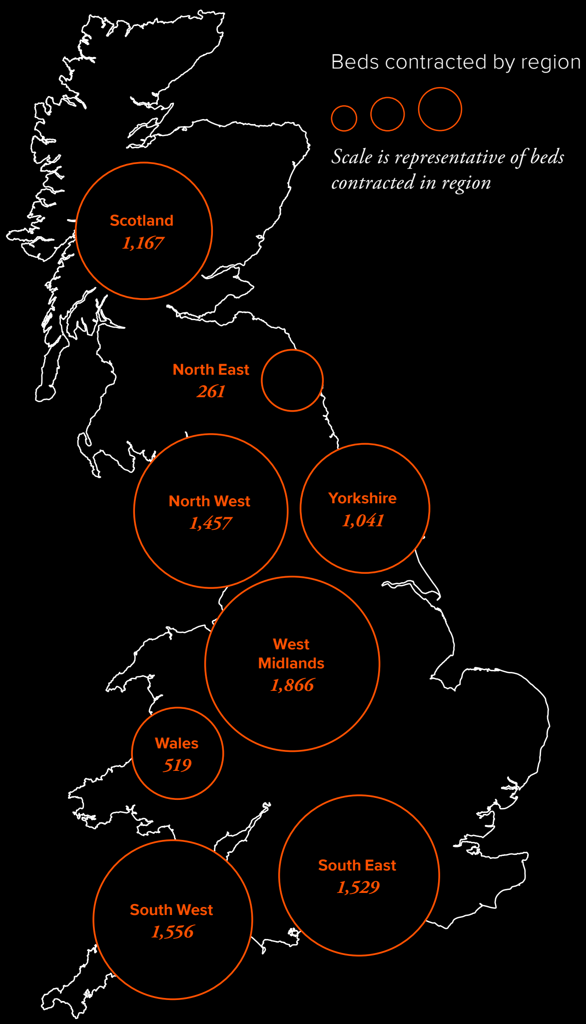
See more on our portfolio in the CEO's Review on page 16.



Revenue Generating Assets

91

2019 – 92

Cities and Towns

29

2019 – 29

Assets Contracted

95

2019 – 95

Beds Contracted

9,396

2019 – 9,401

Group Key Stats

324

Employees

6

Years in operation

86%

of portfolio by value considered prime real estate or better

Reasons to Invest

1

Differentiated Business Model within the Popular PBSA Property Sector

We target investment in regional cities which attract students from the growing pool of affluent international, postgraduate and returning undergraduates, whose premium accommodation requirements are relatively under-served by the PBSA market. This segmented supply and demand imbalance drives both occupancy and rental growth, creating relatively high yielding investments providing attractive total returns.

Read more on page 20

2

Responsible and Industry-Leading Operating Brand

Hello Student®, our operating brand, has become one of the most effective, responsible and recognisable in the sector. In the 2020 National Student Housing Survey, Hello Student® outperformed all benchmarks for student satisfaction, exceeding the average for university and private halls. We achieved a positive NPS score of 21, a higher score compared to the NPS benchmarks for private halls of 8.

Read more on page 16

3

Sustainable Long-Term Business Model

There has been consistently strong growth in student numbers over the past decade, with the UK demographic turning positive from 2021. This, coupled with the government's strong support for international student growth, gives us a strengthening market to operate in.

Read more on page 10

4

Robust Financial Performance

We have produced a secure financing structure, with a long-term gearing target of 35%, providing a stable platform for business growth.

Read more on page 30

5

Socially and Environmentally Responsible

We seek to conduct and run our business in a socially and environmentally responsible way. We plan to drive this agenda further forward during 2021.

Read more on page 32

6

Progressive Culture Embedded by Core Values and Purpose

We believe in our strong culture which is supported by the core values we live by each day throughout the business from the Board down.

Read more on the inside front cover

Responding to COVID-19

Safe spaces

Carefully and responsibly managing the impact with effective, agile decisions.

Our Priorities and Key Mitigating Actions

Keeping our People, Customers and Communities Safe

- Reporting tool to monitor the safety of our people and customers
- Regular communication
- Updated HR policies
- Strong IT infrastructure which easily facilitated working-from-home

Maintaining Critical Services for our Customers

- PPE, safety infrastructure and new procedures introduced
- Refund programme launched
- Virtual tours
- New pledges, such as the "Book with confidence" scheme

Protecting and Driving Value for Shareholders

- Non-essential cost cutting
- Reducing capital commitments
- Liquidity improvements
- Maintaining close relationships with our banks
- Detailed scenario planning and modelling

COVID-19 Impact Timeline 2020

February

- *Audit Committee and Board discussed COVID-19 as a risk to the business and the adequacy of disclosures in the Annual Report.*

March

- *Announced various cost saving and capital preservation measures across the business.*
- *Revised procedures to ensure that social distancing is maintained.*
- *Announced our refund programme.*

April

- *Commencement of furlough for c100 colleagues; the Board took the decision to fund this directly and not take government support.*

May

- *We commenced virtual viewings, allowing prospective students to see our offering remotely.*

June

- *All furloughed colleagues returned to work in COVID-19 secure locations around the country.*

The Resilience in our In-house Operational Model

The pandemic has proved that the decision to turn Hello Student® into a responsible in-house operational model was the correct one. The agility which we had to be able to change processes, look after staff and increase safety would not have been possible had we still been using third-party operators to run our buildings. This resilience will continue to stand us in good stead as we go into a challenging 2021.

Read more on page 15

Protecting and Creating Long-term Sustainable Value

Throughout the pandemic there were a number of challenging decisions that had to be made. When making decisions the impact on our stakeholders was carefully considered in the short and long term at each juncture. We always seek to act in the best interests of our stakeholders. Our s.172 statement on page 40 details further how this consideration took place for two principal decisions.

Read more on page 20

Differentiated Customer Proposition Well Suited to COVID-19 Environment

The average size of our buildings is circa 100 beds, and in 83% of our rooms people can self-isolate effectively. This smaller size of building with self-contained studios means that our buildings are more aligned with a socially distanced world and there is much less footfall going through them compared to some other larger buildings.

Read more on page 20

> *“As we weather the challenges that have arisen as a result of COVID-19, we continue to trade profitably and remain very confident about our long-term future, to deliver enhanced sustainable value for all of our stakeholders.”*

July

- *We raised an additional £20 million of debt on our RCF facility with Lloyds Bank to ensure we had sufficient working capital to weather even our worst case scenario planning.*

August

- *We achieved significant cost savings, due to the high number of vacant rooms allowing our in-house staff to clean and turn around rooms for the upcoming academic year rather than using external contractors.*

September

- *Check-ins for the new academic year began, students booked slots for paperless check ins, which were done so we limited the number of touch points.*

October

- *Due to the staggered return of students, our check-in period spread well into October.*

November

- *Launch of Hello Student® Live Festival, which was a series of live events and activities ranging from yoga to baking tutorials.*

December

- *We launched our student wellbeing helpline with our insurance provider. More information provided on page 36.*

Our Market

Attractive, stable and compelling

Growing Maturity

Despite being considered an alternative investment, PBSA is cementing itself as a mature real estate asset class, with the potential to generate significant income and be resilient even in periods of economic downturn. As reported by CBRE's 2020 Student Accommodation Index, PBSA was the best performing asset class in the year to September 2020. Looking forward, Savills's five-year forecast released in January 2021 had PBSA as the third best performing sector.

These strong returns are also associated with lower volatility, meaning the sector has produced risk-adjusted returns roughly three times as high as the mainstream market. Like all sectors, PBSA has been affected by the COVID-19 pandemic with capital values falling 0.4% in the year to September 2020, its only fall in the past decade. However, PBSA saw one of the smallest declines in capital values when compared with other sectors and still saw rental growth of 1.6% in the year to September 2020, the fifth consecutive year of outperformance against the mainstream market. Only Industrial saw higher rental growth in 2020 (at 2.0%) while both Office and Retail saw rental values fall (2.2% and 8.1% respectively).

CBRE's 2020 Index also highlighted an increasingly clear polarisation in the PBSA market with London and Super Prime Regional assets outperforming Prime Regional and Secondary assets. In the year to September 2020, assets in London and Super Prime Regional locations experienced positive capital growth, while assets in Secondary markets saw capital values fall 9.9%. This is also mirrored with rental growth where in the same period, Super Prime markets saw a 2.8% rise in net rental growth and Prime Regional saw a 1.7% rental growth, whereas Secondary markets saw net rents fall 2.3%. The Empiric portfolio is well aligned to the high-growth locations with 86% by value classified as either London, Super Prime Regional or Prime Regional.

Increase in UCAS Applicants from China for 2020/21 Academic Year

24%

Positive Student Demographics

In UCAS's End of Cycle Report 2020, positive demand statistics for the 2020 admissions cycle were reported. The data (see Table 1) indicates that 728,780 students applied to higher education ("HE") providers in the UK in 2020, up by 22,345 students (+3.2%) on 2019. Applications from non-EU domiciled students rose 12.2% to 98,660, significantly offsetting the small fall in applications from EU domiciled students.

Overall student acceptances reflected stronger growth with 29,235 extra students (+5.4%) which included EU students increasing by 1.7% and non-EU domiciled students by 7,615 (+16.9%), highlighting the continued appeal of HE providers in the UK for overseas students, despite short-term restrictions on international mobility. Notably, UCAS report 24% and 35% year on year increases in applicants from China and India respectively with also significant demand from the USA.

The UK's International Education Strategy continues to secure the country's position in the global HE sector and support graduates with a generous post-study work visa system.

Student Demographics

	Applicants				*Acceptances*			
Domicile	*2019*	*2020*	*Change*	*% Change*	*2019*	*2020*	*Change*	*% Change*
UK	*565,480*	*577,260*	*11,780*	*2.1*	*464,335*	*485,400*	*21,065*	*4.5*
EU	*53,085*	*52,865*	*-220*	*-0.4*	*31,765*	*32,320*	*555*	*1.7*
Non-EU	*87,870*	*98,660*	*10,790*	*12.3*	*45,140*	*52,755*	*7,615*	*16.9*
Total	*706,435*	*728,785*	*22,350*	*3.2*	*541,240*	*570,475*	*29,235*	*5.4*

Table 1 – UCAS End of Cycle Report 2020

Alongside positive international demand, domestic demand for HE continues to grow. In the coming decade, growth in the full-time (FT) student population is forecast to be driven by a higher participation rate and the absolute growth of the 18-year-old cohort in the UK which has been in decline over the past five years. UCAS reports that the proportion of UK domiciled 18-year-olds accepted by UK providers increased from 34.1% in 2019 to 37% in 2020. The research also projects that the population of 18-year-olds will rise from around 710,000 in 2020 to 850,000 in 2026.

In 2020, demand was also boosted by centre assessed grades, which resulted in a greater number of school leavers with the required grades needed for acceptance into higher ranked universities. Higher ranked universities have benefited the most, with applications rising 31% since the cap on student numbers was lifted in 2012. Conversely, applications to medium ranked providers only rose by 4% and lower ranked universities fell by 15% in an ongoing trend. In HESA's latest data release, 384,030 people were reported to have enrolled on a postgraduate course in AY 2019/20, up 10% on the previous year. This rise in postgraduate student numbers is expected to continue, repeating previous counter-cyclical behaviour in periods of economic downturn. Following the global financial crisis, full-time postgraduates grew from 161,015 in 2007 to 207,595 in 2010.

Constrained Supply

The long-term fundamentals of PBSA including the demand supply imbalance remain compelling particularly when focusing on high-quality assets in desirable locations. According to research combining HESA 2018/19 data and PBSA supply for 2020/21, only 57% of demand for PBSA is currently being met, 65% including consented pipeline. In 2019, JLL reported that the pipeline had declined by 25% in the three previous years, a trend which appears to have been exacerbated by COVID-19 restrictions, which paused construction on many sites leading to delayed completions for the year to September 2020. StuRents report that in Q3 2020, developers applied for consents for fewer than 3,000 beds, with 3,395 being approved, showing falls of 73% and 44% respectively on Q3 2019. Comparatively, in 2016 planning applications peaked at 50,000 beds. This decline has been in part due to the rise of alternative living sectors such as PRS refocusing developer attention, the growing difficulty in gaining suitable PBSA consents in increasing restrictive planning environments, along with several Secondary markets becoming oversupplied.

The Flight to Quality

Whilst some property sectors experienced a virtual shutdown in transactions in 2020, largely due to the impacts of COVID-19 and Brexit-related uncertainty, PBSA remained comparatively resilient. The global investment appetite for UK PBSA was very strong at the start of 2020 with portfolio and M&A activity continuing to be a key feature of the market, following significant portfolio acquisitions in 2019. In Q1, the sector's attention focused on Blackstone's purchase of the iQ student portfolio for £4.66 billion, the largest ever private real estate transaction in the UK. With several well-funded prospective buyers willing to pay premium pricing for the 32,000-bed portfolio, this transaction affirmed that PBSA was more attractive than ever for investors in Q1 2020. Following a reduced level of activity during the first lockdown, the market has been gathering pace with a further £1 billion traded since March 2020. With the iQ transaction and the recovering activity in H2 2020, the year saw the highest transaction volume ever for UK PBSA at £6 billion.

To reflect the short-term income uncertainty caused by the pandemic and the long-term strength of the sector, rental guarantees from vendors for the 2020/21 academic year have been widely used to support transactions. These have facilitated the market by protecting the purchasers' short-term income position. The flight to quality continued in 2020, with investors focusing on high-quality assets in markets with strong universities and compelling supply and demand characteristics, reflected by transactions in Super Prime and Prime Regional locations. Despite COVID-19, July 2020 saw KWAP acquire 700 operational beds in Leeds and Sheffield for £89 million. This purchase of Symons House (351 beds) and Crown House (335 beds) reflected £127,000 per bed and a yield of 5.50%. In August 2020, GSA & Harrison Street added further stock to a growing portfolio with the acquisition of Print Hall (267 beds) and Unity Street (217 beds) in Bristol, for £58.2 million, reflecting £120,247 per bed and yield of 4.90%.

The ever maturing and polarising nature of the PBSA market has been reflected in yield compression in the best-quality segments. CBRE reports that between Q4 2019 and Q4 2020, best-in-class direct let Super Prime Regional and Central London yields compressed by 25 basis points and 10 basis points respectively, while Prime Regional yields stabilised and further softening in Secondary Regional locations was experienced.

In the post-COVID-19 landscape, investors are expected to be drawn to sectors such as PBSA, which exhibit stable income returns and counter-cyclical behaviour. Unlike other sectors facing structural challenges, the long-term demand for HE and the undersupply of high-quality PBSA beds will underpin investment demand in the coming years.

Market Yields – Best in Class, Direct Let

	December 2020		*December 2019*	
	Current	*Trend*	*Current*	*Trend*
Central London	*3.90%*	*Stronger*	*4.00%*	*Stronger*
Super Prime Regional	*4.75%*	*Stronger*	*5.00%*	*Stronger*
Prime Regional	*5.25%*	*Stable*	*5.25%*	*Stronger*
Secondary Regional	*8.00%*	*Weaker*	*7.75%*	*Weaker*

Source: CBRE Student Sector Investment Yields.

Increase in higher ranked university applications in 2020

+31%

Business Model

Our business model combines an attractive portfolio of high-quality student homes with an efficient and responsible in-house operational platform. Together, our operations and assets enable us to create value for all our stakeholders. This allows us to generate attractive returns for our shareholders and build a strong platform for long-term growth.

Key Strengths

Buildings
We have a diverse and attractive portfolio of properties that offer high-quality and safe accommodation to our customers.

Our People
Our people are key to our customer journey. Our passionate and committed colleagues allow us to deliver a high level of service to our customers while maintaining cost control.

Specialist Knowledge
We have the knowledge to develop, acquire and operate high-quality, sustainable student accommodation assets.

Brand
The Hello Student® brand has continued to grow, becoming a leading brand and giving us a clear identity in the student property market.

Financing
We finance our business through a combination of shareholder equity and debt facilities. We have strong liquidity and good relationships with our lenders.

Technology
We continue to leverage technology to augment business processes that drive efficiencies operationally, financially and commercially whilst also improving our user and customer experiences.

How We Add Value

Our Culture
Our people and customers are our key focus and we are here to deliver excellent seamless service and financial returns through working together.

Select Locations/ Specifications
We are selective about where we invest, with a focus on the towns and cities that are home to the most successful universities and where student numbers are rising faster than average. We select sites based on their compatibility with the types of accommodation we provide and their proximity to universities and amenities.

Our buildings are on average around 100 beds, which helps to foster a more homely, collegiate feeling to living.

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Develop/Buy
Developing assets allows us to acquire them at a greater yield on cost than buying standing assets. Forward-funded projects are typically less complex than direct developments and have a lower risk profile, as the planning, construction and time risk lies with the third-party developer. These projects also have lower staffing requirements and benefit from a forward-funding coupon charged to the developer. However, direct development delivers higher-yielding assets than forward funding. We have a strong proven track record in direct development.

We also buy standing assets when a specific opportunity arises which complements our portfolio.

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Operate

Our assets are marketed through our Hello Student® platform. This platform gives us a clearly identifiable brand which helps to offer our customers a range of options. Encouraging our people to follow our values helps to increase ownership and pride in our homes. This ensures that customers have the best experience possible, helping to drive occupancy, rents and profit.

We have a student welfare programme in place to ensure that we provide the support that our customers need during their stay with us.

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Reinvest

We intend to hold our buildings for the long term. However, we may sell an asset if we see an opportunity to create more value for shareholders by reinvesting the proceeds. We therefore continually review the portfolio to ensure our capital is effectively allocated.

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Outputs for our Stakeholders

Customers

Our customers benefit from having a great home to live in during their studies, at a rent that represents value for money.

Customer Satisfaction

7.6 out of 10

Our People

Our people have the opportunity to develop their careers in an exciting and growing sector.

Colleague Engagement Score

83%

Shareholders

Shareholders benefit from Total Returns which are underpinned by income. The positive long-term returns have been impacted by COVID-19.

Total Return for 2020

-3.6%

Communities

The communities around our assets benefit from increased employment, reduced pressure on local housing stock, and from the improvements we fund to social infrastructure in the surrounding area.

Amount of Government Support Taken

£nil

—

Read more on page 26.

Our Strategy

Making progress against our strategic objectives in spite of COVID-19.

Strategic area	*Strategic objective*	*Progress in the year*
1. Customers	We want to achieve customer satisfaction by building welcoming communities in our homes and by giving our customers a sense of safety, wellbeing and belonging. We aim to deliver a friendly personalised service, and be present when our customers need us.	– We launched a 24-hour mental health welfare phone line with access to qualified counsellors available to all students. See page 36 for detail. – Our customer satisfaction score was 7.6, despite all of the challenges we have faced through COVID-19. – 24 hours, seven days a week, staff cover in all our cities as a result of our restructure. See page 29 for detail. – We launched a range of measures as a result of COVID-19. See page 6 for detail.
2. Brand	We want to raise awareness of the Hello Student® brand among students, to support our premium accommodation and service offering. We want to become known as a responsible provider and manager of homes, not halls.	– We have launched our in-house revenue management platform for AY2021/22 bookings. We have already seen the benefits of being able to communicate with potential customers in a much more dynamic way. – We launched a programme of customer refunds as a result of COVID-19, see page 6 for detail, and we believe these actions helped to protect our brand and enhance the long-term value of the Group.
3. Our People and Operations	We have continued with our aim of developing a culture where our people are engaged and proud to continue to work for the business, making Empiric "a great place to work" and destination of choice for candidates wanting to work in the student accommodation sector. We will aim to continually and responsibly improve operational efficiency through enhancing our in-house functions and performance coaching our colleagues to help them provide the best and most efficient customer service experience.	– Increased involvement and engagement of the Colleague Forum to contribute to developing business response to handling of COVID-19 impact. – Colleague engagement surveys completed twice in 2020; firstly in June with a Group engagement index of 83% representing +8% on the previous six months and then in December (73% response rate) with a Group engagement index of 81%, representing -2% compared to the summer. This shows we have maintained a good level of colleague engagement despite a challenging year and significant change programme delivered in Q4 2020. – We have completed restructuring of the operations team to deliver customer service and increased presence on sites across extended working hours, seven days a week. See page 29 for detail.
4. Buildings	We will maximise the value from the asset portfolio by managing the portfolio, recycling capital to improve returns and sustainability. This will be done by maintaining a portfolio of attractively high-yielding investments with rental growth.	– We completed a development and a refurbishment delivering a combined total of 284 operational beds. – We gained planning permission for a redevelopment of one of our buildings in London, which will provide 18 additional beds. – We delayed development on a number of projects due to capital preservation measures as a result of COVID-19. See page 6 for more detail.
5. Shareholders	We want to provide our shareholders with attractive sustainable returns. This is achieved through improving profitability and growing our portfolio.	– We completed two extensions and one refinance during the year, despite the challenges of COVID-19 to ensure that the Group's long-term future is secured. – Various capital preservation measures were implemented as a result of COVID-19. See page 6 for more detail. – The progress achieved in all of the above strategic areas contribute to shareholder returns.

Associated KPIs	*Key aims for 2021*	*Associated risks*
A B C D E	– Increase customer satisfaction score even further in 2021. – Review other ways which we can support our customers' welfare through our ESG Committee. In particular, building on the work we have already begun around mental health as well as safety and the environment.	E1 E2 E4 E6 I1 I2
A B C E F	– Reviewing the design and layout of both the Hello Student® and Empiric corporate website. – Launch an ESG roadmap to develop and deliver our objectives and long-term strategy. This will further help us to confirm and disclose the actual and potential impacts of ESG-related risks and opportunities that are material to our business, strategy, and financial planning.	E1 E2 E4 E6 I1 I2
A B C D E F	– Embed the new operations structure, optimising customer service delivery. – Increased focus on mandatory training, new HR KPI to track compliance levels and ensure standards are being achieved. – Development and delivery of social purpose programme under new ESG Committee. – We plan to roll out a sharesave scheme to all our people in 2021 subject to AGM approval. – Review and relaunch our Company values to ensure they reflect the values which are lived and embodied by our people and align with our stakeholders.	E1 E2 E4 E6 I1 I2
A B C D E J	– Complete the Bristol St Mary's development providing an additional 153 beds in the city. – Our Head of Property is conducting a full portfolio review, looking at disposal, refurbishment and acquisition targets.	E1 E2 E5 E6
A B C D	– We will revisit and strengthen our ESG roadmap and reporting across the Group. – Beyond COVID-19, we are positioned to return to full occupancy and optimise profitability enabling us to resume paying an attractive dividend. – We will continue to engage closely with all shareholders.	E1 E2 E3 E4 E5 E6 I1 I2 I3

KPI Links

A. Rebooker Rate
B. Customer Happiness
C. Revenue Occupancy
D. Safety – Number of Accidents
E. Colleague Engagement
F. Gross Margin
G. Adjusted Earnings per Share
H. Dividend Cover
I. Net Asset Value per Share
J. Total Return

Risks Links

External Risks

E1. Student Demand Risk
E2. Competition Risk
E3. Property Market Risk
E4. Regulatory Risk
E5. Funding Risk
E6. Revenue Risk

Internal Risks

I1. Health and Safety Risk
I2. Cyber Security Risk
I3. People Risk

Chief Executive Officer's Review

Ensuring our customers' safety

"We have continued to progress with our strategy through investment in our people, customers and assets."

DUNCAN GARROOD
Chief Executive Officer
16 March 2021

We recognise that these are particularly challenging times for all students, and we remain committed to supporting and doing the right thing by each student on a case-by-case basis, whilst also protecting the long-term value of the Group.

2020 has brought significant challenges to the business, but the Group has remained resilient and is well placed to benefit from opportunities when the market recovers.

Our top priority has been the safety and wellbeing of our colleagues, customers, communities and stakeholders, and we have devoted significant resources to ensure this is the case. On pages 6 to 7 you will find details of our response to COVID-19.

Despite these challenges, we have progressed our strategy through investment in our people, customers and assets.

Supporting our Customers

In December 2020, we launched a Student Assistance Programme in partnership with Endsleigh and Health Assured. This scheme provides a suite of wellbeing services for our customers, offering them support to deal with physical and mental health issues or financial difficulties. The provision of this scheme has also supported some universities that have faced challenges in providing sufficient wellbeing support to their students throughout 2020 and this will not just be in place during COVID-19 times but a permanent enhancement of our student wellbeing support.

Developing our People

In January 2020, we appointed a Training & Development Manager to design and deliver programmes to our people for their personal and professional growth.

We overhauled our e-learning platform and provided support for new learning opportunities to various roles within the business. This change in emphasis from classroom to online webinar delivery has been efficient, and we have continued to focus on key sessions such as sales and customer services to increase the knowledge and skills of our operational teams.

Our aims in 2021 include an increased focus on mandatory training with a new measure to track compliance levels and ensure high standards are being achieved. For example, we will deliver our plans to enhance the variety of skills of colleagues within our maintenance teams. This will allow for cost efficiencies as a broader range of repairs and maintenance works can be conducted in-house, and will also develop the network of our regional teams so they are able to support each other across the country.

We will also be optimising the new management structure across our operational teams so that local training support and coaching is integrated into our ways of working and culture.

During 2020, we recognised the contribution that our front-line operational teams have made to our customers and the business. From 1 January 2021, we will increase pay to align with the Real Living Wage for 2021 as our minimum, and we are committed to pay a fair wage for all core roles. We have recently gained accreditation from the Real Living Wage Foundation and have undertaken to uphold those standards for years to come.

In May, we undertook the Group's third colleague engagement survey which achieved a response rate of 72% and an overall colleague engagement score of 83% against the UK all-sector average of 68% and previous year's result of 69%. These results were delivered despite the current pandemic and help to give us a better understanding of what matters to our people and to ensure we deliver improvements.

Towards the end of 2020, we conducted a shorter 'pulse' colleague engagement survey which had a 73% response rate and 81% overall colleague engagement score. The Senior Leadership Team have worked with the Colleague Forum to devise an action plan in response to their feedback.

We have taken a number of actions as a result of the feedback we received from these surveys, for example launching the Student Assistance programme detailed above, pledging to review our values in 2021 and launching monthly townhalls to bring all of our people together.

Developments Delivered in 2020

Site	*Development basis*	*Beds*	*Completed*
140/142 New Walk, Leicester	Forward funded	*52*	June 2020
Emily Davies, Southampton	Major refurbishment/development	*232*	December 2020

Future Development Pipeline

Site	*Development basis*	*Beds*	*Delivery year*
St Marys, Bristol	Forward funded	*153*	2021
Southbridge, Edinburgh	Major refurbishment/development	*61*	TBC
FISC, Canterbury	Major refurbishment/development	*134*	TBC

Chief Executive Officer's Review continued

"*For the first time this year, our electricity portfolio is run off 100% renewable energy.*"

Results of our 2020 Check-out Survey:

On-site Management

★★★★☆

Cleanliness of our Buildings

★★★★☆

Security of our Buildings

★★★★☆

Living Spaces in our Buildings

★★★★☆

Quality of our Broadband

★★★★☆

Overall Rating

★★★★☆

As part of an increasing focus on our ESG agenda, we have established an ESG Committee at Board level which will work with the Senior Leadership Team to define the strategy, identify key topics, and implement initiatives and policies. We will be publishing the Terms of Reference for the ESG Committee on our website shortly.

Our Environmental Duty

As part of our ESG responsibility, we have launched a Sustainability working group which will work with the Board and Senior Leadership Team on projects that improve the sustainability of our operational business and ways in which we can be more environmentally supportive.

For the first time this year, our electricity portfolio is run off 100% renewable energy. This means the electricity we use is generated in renewable ways ranging from solar and wind turbines to biomass plants.

Our team is also working with our third-party energy provider, Amber Energy, to identify assets where energy usage is currently higher than our target and methods by which we can reduce this. See page 39 for more information.

Our Brand

The Hello Student® brand has continued to evolve throughout 2020 as a result of a variety of activities, including the goodwill generated through our support for both our customers and universities during COVID-19.

Hello Student® has strong brand awareness and a positive reputation, but we have work to do in making it more prominent and visible and to reflect more closely the priorities of our wider stakeholders. Through our portfolio management programme, we will make the brand execution tighter, more consistent, and powered by researched customer insight. A programme of refining the Hello Student® brand proposition in depth, and particularly in specifying our service model, is underway and will help us to grow Hello Student® to a leadership position in our sector.

We continue to invest in our online and social media marketing platforms to reach both domestic and international customers efficiently. We have also used direct customer feedback and experiences to provide a more personal touch to our marketing strategies. The opportunity our new booking platform brings us, plus a refreshment of our website, will lead to a new digital experience for prospective customers.

Our aim is to build further on the strength of our brand within our properties and ensure the Hello Student® name becomes more prominent within the student accommodation sector.

Our Portfolio

As at 31 December 2020, we owned or were committed to owning 95 assets, representing 9,396 beds (31 December 2019: 95 assets, 9,401 beds). Of these, 91 were revenue-generating assets, with 8,887 beds (31 December 2019: 92 assets, with 8,830 beds).

> *Safety remains our top priority as a business.*

Valuation Bridge Movement

We have undertaken a strategic review of our portfolio, with the aim of rationalising it to maximise the expertise, positive reputation, and commercial power of the Hello Student® brand. We plan to dispose of non-core assets, and this gives us an opportunity for capital recycling, which we will undertake whilst focusing on the best interests of shareholders. This includes consideration of investment in refurbishments or reconfigurations, as we aim to bring the portfolio to a consistently high standard.

Portfolio Safety

Safety remains our top priority as a business and to that end we ensure that our buildings comply with not only all relevant regulations but also with best practice within the industry. We are in the process of updating our fire risk and mitigation strategies throughout our estate, and where that is appropriate it includes undertaking detailed External Wall Surveys. Such surveys will ensure any residual cladding or firebreak risks are clearly identified and are being undertaken by highly-experienced professional teams and where necessary qualified fire experts. Should remedial actions be identified as necessary, these will be addressed.

Independent Valuation

Each property in our portfolio has been independently valued by CBRE, in accordance with the Royal Institution of Chartered Surveyors ("RICS") Valuation – Professional Standards January 2014 (the "Red Book"). At 31 December 2020, the portfolio was valued at £1,005 million, a decrease of 2% from prior year (31 December 2019: £1,029 million). See valuation bridge to the right. Page 30 details the breakdown of the fair value movement in the year.

Average valuation yield (before COVID-19 deductions)

5.61%

(31 December 2019: 5.55%)

Number of beds added through completion of developments

284

Across two development projects

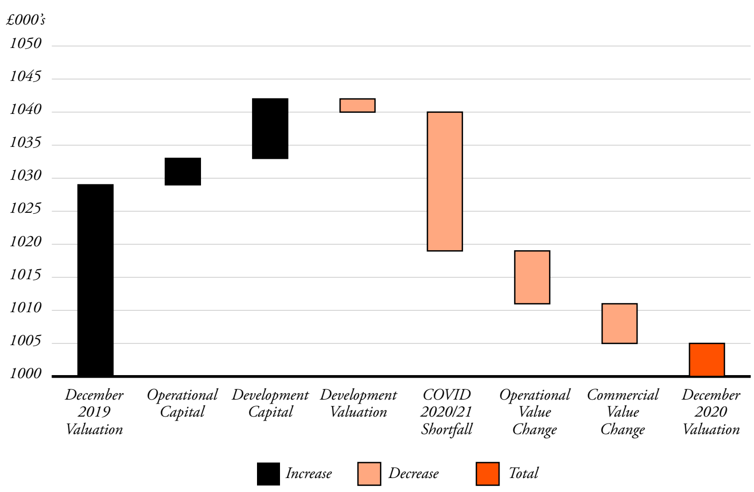
Developments and Redevelopments

On 30 June 2020, we completed a forward-funded, 52-bed development in Leicester. In December we then completed the major refurbishment works of Emily Davies in Southampton, adding 232 beds. We also recommenced the direct development of St Mary's in Bristol which is expected to be completed in time to operate for the 2021/22 academic year.

Due to COVID-19 we have paused two projects, a development in Canterbury called Franciscans and a refurbishment in Edinburgh, called Southbridge. We are reviewing whether to proceed with these projects on a monthly basis, clearly predicated by our prudent approach to cash management during the pandemic.

In December 2020 we secured planning permission for the redevelopment of Francis Gardner Apartments in London. The new seven-storey development will provide 18 new bedrooms with a mix of two, three and four-bed flats with shared kitchens and living facilities.

Valuation Bridge Movement



Strategy in Action

Customers

Prioritising safety and welfare

We are committed to supporting and doing the right thing by each student on a case-by-case basis, whilst also protecting the long-term value of the Group

We have strived to ensure that all of our customers have felt safe during these difficult times. We have detailed our key COVID-19 responses on page 6. These were focused on ensuring our customers were safe and their welfare was monitored. Our smaller, more flexible buildings have adapted well to many of the challenges posed by the pandemic.

55%

During May and June 2020 our buildings remained at a level of around 55% occupancy.

Strategy in Action

People and Operations

Agile, effective and responsive

Insourcing programme progress

We have found significant benefits from the insourcing programme completed to date, including having the organisational agility to respond quickly and effectively to the impact of COVID-19. We have found that our people acted amazingly well and were incredibly responsive to the challenges that we faced.

We have also restructured our operational staffing model, more details on page 29. This will help to ensure that we remain agile and effective and even more resilient.

£1.5m

Back office revenue management system will deliver cost saving of £1.5 million per year from Q4 2021.

Our Priorities and Outlook

> *We provide fully serviced modern student homes, not halls, that are safe and convenient, within a friendly and supportive community environment.*

In order to responsibly drive growth, enhance value and compete successfully, it is essential that we have clarity on what Empiric and our Hello Student® brand encompasses. It is this proposition that sets us apart from competitors, both in the sophisticated PBSA sector but also in the fragmented HMO market.

The graphic on the inside front cover of this report shows our Purpose, Mission, Culture and Responsibility, all of which inform our core customer proposition:

These elements, plus a refreshment of the values that we all espouse, will be the basis of our objectives and focus over the coming years. It is important we do not stray from our proposition and that we execute the mission with energy and tenacity.

In the short to medium term, we have five strategic priorities:

- Property portfolio management
- Brand proposition including our ESG approach
- Revenue generation (sales, marketing and use of data)
- Customer service
- Developing our people

Property Portfolio Management

We have completed a thorough review of our portfolio, through market analysis, customer and universities feedback, historic performance and by analysing each market the properties are situated in. As a result, we have categorised our portfolio into four segments, each with a separate objective.

Segment A comprises properties we regard as core Hello Student® sites. They are in good condition, properly configured and produce our best results. Apart from a continuous programme of ensuring they remain in great condition and we drive their performance to deliver enhanced value, there are no further significant actions to take with the existing sites. This segment will be targeted for growth through either acquisitions or developments.

Segment B are sites which fundamentally meet the Hello Student® criteria, but need investment in refurbishment or modest reconfiguration, to upgrade them to core Hello Student® brand standards, and thus command an improved rental yield. We will invest in these sites, assuming the IRRs are attractive which will be determined on a site-by-site basis, and the objective is to eliminate this segment and have all core Hello Student® sites at a consistent high standard.

Segment C comprises sites which are not core Hello Student® sites for various reasons, but have good commercial characteristics. This segment might also offer interesting opportunities for different ownership models which we will explore further. They can be divided into two subcategories.

The first sub-category are locations, ideally suited to first year UK students (who are not core Hello Student® customers). However, if we can secure nomination agreements for these sites, they represent attractive commercial propositions. Should this not be possible to do so in a reasonable period of time, they could be disposal targets.

The second sub-category are sites that do not fit our core Hello Student® criteria, but are ideal for mature graduates or postgraduates who often look for accommodation in quieter locations, or in city centres, or perhaps something more suitable for couples. These could form a sub-brand of Hello Student® aimed at more mature students, enabling us to retain, and "upgrade" existing customers as they continue their further studies, allowing us to benefit from building loyalty through their Hello Student® experiences.

Segment D are properties that represent approximately 10% of the value of our portfolio, which for various reasons no longer remain core. We aim to dispose of these over the next two years, given appropriate market conditions.

Proceeds from disposal will be deployed in the best interests of shareholders, and a variety of opportunities will be evaluated. This will include reinvestment in new developments, refurbishments or acquisitions to grow our Segment A, core Hello Student®, portfolio, especially on a cluster density increase basis.

Brand Proposition including our Sustainability and Social Approach

It is critical that we enshrine data-driven customer insight into our property and service offerings, and into our designs and development. It should also drive innovation and our marketing and communications strategies. We are currently undertaking qualitative and quantitative customer research which will inform our plans, especially on executing the customer journey where we need a much deeper understanding.

Our Hello Student® brand has good awareness and reputation, but needs its proposition more tightly defined. Its execution in the various media we use to communicate will be revisited to ensure we have the right reach in the right channels.

We will introduce an improved CRM system, which is especially important in our ability to communicate directly with our international students and to further build loyalty and grow the number of rebookers.

We will revisit our whole digital and social media approach, looking at which channels we should focus upon (for example WeChat in China) which will be informed through our research. We have work to do in evolving our website from its functional role into one that better features student experiences.

Our customers mostly belong to the late Millennial or early Generation Z demographic groupings, and as such it is highly important for them to choose service providers who act in a sustainable and responsible way. We have covered this key area in other sections of this Annual Report and therefore will avoid repetition here. Suffice to say it is driven by a commercial imperative to inspire colleagues, customers and investors.

Revenue Generation (Sales, Marketing and use of Data)

Our operating platform gives us a complete in-house solution to managing our own revenues. To that end, whilst we now have the technical systems in place, we need to revisit our revenue management processes, accountabilities and systemise our dynamic pricing approach. This is one of the great advantages of having our own operating system.

Dynamic pricing will give us a formalised time-bound process to maximise our revenues on sites that are in high demand, and similarly to maximise occupancy in those slower to fill. Our premium positioning and improvements in quality and customer service will enable us to command better rents, so it is essential we have the best possible direct control of room categorisation and price setting, informed by real-time competitor data and intelligence.

Customer Service

Since foundation, the Company has been on a service journey. Until the last couple of years, it was fully outsourced with relatively little direct control over its nature, quality or consistency. Operations were fully brought in-house two years ago, and since then we have been building the people management expertise, and now it is time to build further upon that.

We have recently changed our working patterns and introduced 24-hour service and timely and effective service delivery at each site, which improves safety and security. Our reception desks are manned when our customers most need to talk to us, not just 9-5. We have our own maintenance team, shared between clusters of sites, so that we can quickly and cost effectively complete repairs.

Personalised service is an integral part of creating homes and growing our reputation through continually developed service will play a key part in growing rental yields. Service requirements and standards are set through customer insight and require measures that consistently deliver our high standards. A simple example – we must know every resident's needs – something that is crucial to delivering a homely experience.

We also understand that knowing our residents' families, especially their parents, is a key part of reassurance that makes the Hello Student® experience different from those in halls of residence or HMOs.

Our objective is to build our reputation, through recommendations and word of mouth, as for international markets this is often the most powerful way to grow awareness and recruit new customers. An example of that is in Cardiff where three years ago a sole Malaysian student resided and had a great experience; the following year we had ten Malaysian customers and last year this doubled. Similarly, in providing a great experience to Indian residents in Exeter, we have grown their numbers from one to 43 in three years.

Every year, about 20% of our residents have stayed with us the previous year. However, we do not capture all those that could choose to rebook, and therefore improving our service and customer satisfaction is vital – a key KPI for us will be the percentage of rebookers, as there is little cost of acquisition and all the benefits of loyalty which we will measure through Net Promoter Scores. Until we had our own operating platform, we did not have the customer data to show how many students were eligible for rebooking, but now we do. Reducing the cost of customer acquisition through building reputation will be a key objective.

Our Priorities and Outlook continued

> *We provide high-quality modern homes, not halls, that are personal, safe and convenient, within a friendly, supportive community environment.*

Developing our People

Key to delivering our strategies is having the appropriate leadership team in place. As well as a new CEO there are two further additions to the Senior Leadership Team – Will Atkinson joined as Head of Property in September, and we are in the process of recruiting a Sales and Marketing Director. This will provide us with sufficient breadth, capability and experience to deliver our strategy. We are also working to complete the organisational effectiveness with the wider team, to strengthen our capabilities and improve delivery.

To provide a higher quality, consistent 24/7 personalised service, we need the right calibre of people, appropriately rewarded, who are trained and developed. That process is underway and we have already made changes to our site management structure and invested in quality colleagues to reduce turnover and increase our service engagement. To deliver a personalised homely service we need our front-line colleagues to be in their positions for a long time to develop those critical customer relationships, so measuring turnover and retention will be key.

To that end, we have recently been accredited by the Real Living Wage foundation, and we will maintain pay rates at their mandated levels as a minimum. We very much embrace inclusiveness and celebrate diversity, and we will continue to build this onto our good foundations.

We will put more focus and resources into developing our people, with an aim of significantly raising the proportion of internal promotions versus external recruitment, not only being the right thing to do but cost effective too.

Our Outlook

As we stated in our mission, our plans are focused on delivering ever improving and sustainable shareholder returns. Whilst the pandemic will impact both 2020 and 2021, our underlying business outlook is positive.

In particular we would highlight our following expectations:

– Customer demand is set to grow for each of the coming three years, and beyond.

– Our Hello Student® brand proposition, especially in a COVID-19 affected world, gives us competitive advantages, and we will strengthen its impact and reach.

– The development of our operating platform is enabling us to build revenue, improve costs and attract new customers more effectively.

– Capital recycling through active portfolio management will improve our returns and bring greater brand consistency, and generate funds for refurbishment, developments or returning to shareholders.

– Our dividend will be reinstated as soon as we are able to do so.

Strategy in Action

Buildings

Growing portfolio

Leicester development

In June 2020 we completed the 140-142 New Walk development in Leicester. The development adds 52 beds to our offering in the city.

All of the beds are studios, meaning they are well suited for the current pandemic environment and the development also offers a gym and reading/study room.

The close proximity to our other Leicester properties means that we are able to gain economies of scale through staffing structures and shared resources.

Leicester scheme completed in time for 2020/21 academic year in spite of COVID-19.

52

52 studio apartments.

Chief Executive Officer's

Q&A

Empiric has a really high-quality, motivated team that positions us well to provide safe, friendly homes for our student customers and deliver sustainable value to all our stakeholders.

DUNCAN GARROOD
Chief Executive Officer
16 March 2021

My key reason for joining Empiric was the breadth of opportunities, and since joining I have only seen those grow. We have unique assets serving a growing market place, and are on a journey to manage them through a wholly in-house operating platform. I see many ways to build value for shareholders and whilst the pandemic is disruptive, we will still deliver these.

Q
What are your first Impressions of Empiric?

A I joined Empiric in the midst of the restrictions that the pandemic had brought, and during my visits to our sites in those early days I was struck by the care, consideration and immense dedication of our teams. People working under significant challenges went the extra mile to ensure students had safe, clean and hygienic places to live, with strong communications and support ensuring they felt at home and secure.

Our support team continued to deliver the full suite of services that our customers expected, even under challenging remote working circumstances, and also delivered major infrastructure projects such as our new revenue platform on time and with great quality.

In a nutshell, Empiric has a really high-quality, motivated team that positions us well to responsibly provide safe, friendly homes for our student customers.

Q
What are your immediate priorities?

A We have a great brand in Hello Student®, but we need to have a more high-quality, focused and consistent offer. Our portfolio has undergone a full review so we can determine the future of each and every asset. The next steps are to put that plan into action, which will include disposing of those properties that no longer fit our brand focus, investing in others that need to be refreshed or reconfigured and ensuring our core assets are in top condition.

As a service business we will increase our investment in people, bringing more training, development and communications so that we get better at listening to our customers' needs and delivering what they expect.

We have all the elements of a powerful operating platform, and our job now is to knit all of those together into a seamless system which recruits new customers at the front end and delivers outstanding experiences and great rental yields at the other. To do that, we will continue to develop our digital infrastructure, invest in feedback systems, improve our revenue management expertise and refresh our brand.

Q
How will COVID-19 change the business going forward?

A Universities have accelerated blended learning and in particular there is a greater emphasis on digital education. As such, students will spend more time within their accommodation, and have a much higher expectation of the quality of basic services (e.g. fast and reliable internet, hygiene, responsive maintenance, personal safety, etc). These standards will stay and grow, and the winners in our market will be those that deliver a consistently great experience coupled with the added value of making the accommodation feel like home.

For us therefore, we have to raise and keep our delivery high, stay nimble for changes in requirements and circumstances, and offer more support and value to our customers. The market is only getting more competitive.

Q
What are Empiric's core strengths?

A The greatest strength lies within our people – a desire and drive to improve and keep on improving! Relentless dissatisfaction with keeping things as they are today, and on delivering a better return for our shareholders through a better proposition for our customers. These aren't just words, but I see this in my daily interactions with our people.

Our expertise in developing great assets is now matched with our in-house delivery of service. Once we were good at managing outsourced service providers for everything we did. Today, we have most of that core capability in-house, but balance that with specialist external expertise – that is the right commercial position for a business of our scale.

We have a desire for growth, but these days recognise that growth comes from two sources – managing our existing business better, with better yields, and also by developing or acquiring new assets. Getting the right balance of those is key to delivering the best returns, which is our focus.

Q
What focus does Empiric have on the ESG agenda?

A ESG for some businesses can be a compliance exercise, but for Empiric it is very much part of focusing upon things that our customers expect. Students today make choices based on the sustainability, environmental stewardship and social/community attitude of businesses they choose to engage with. So for us, it is critical that we not only make the right choices as a business but we are seen to do so to retain and grow our customer base. To that end, we have increased our resources, focus and expectations around ESG and this will be a growing agenda within our business.

Key Performance Indicators

Monitoring our performance

Non-Financial KPIs

A — Rebooker Rate (%)

23%

Performance

2020	*23%*
2019	*21%*

Purpose

The rebooker rate demonstrates our ability to retain customers within the Hello Student® brand, which is an indicator of the quality of service we provide.

Strategic Link

1 2 3 4 5

B — Customer Happiness (Out of 10)

7.6

Performance

2020	*7.6*
2019	*7.8*

Purpose

Student satisfaction reflects the quality of service we provide and the attractiveness of our buildings.

Strategic Link

1 2 3 4 5

C — Revenue Occupancy (%)

65%

Performance

2020/21	As at the end of February 2021	*65%*
2019/20	As at the end of February 2020	*93.9%*

Purpose

Occupancy is a key driver of our revenue and demonstrates the quality and location of our assets, the strength of our sales process and our ability to set appropriate rents.

Strategic Link

1 2 3 4 5

D — Safety – Number of Accidents

0

Performance

2020	*0*
2019	*3*

Purpose

The number of reportable accidents throughout the Group each year. This is a key reporting metric to the Health & Safety Executive as well as a measure of our health and safety strategy and procedures.

Strategic Link

1 2 3 4 5

Note – As facilities management was only insourced from April 2019 the above comparative was only for a nine-month period.

E — Colleague Engagement

83%

Performance

2020	*83%*
2019	*75.0%*

Purpose

Colleague engagement scores provide an insight into the happiness of our people across a range of topics regarding their working environment.

Strategic Link

1 2 3 4 5

Our key performance indicators ("KPIs") are central to how we run our business and allow us to drive the performance of the business for our shareholders. Due to the impact of COVID-19 during the year, a number of our usual KPIs are showing anomalous figures during this reporting period. We expect this impact to carry forward into our 2021 KPI reporting. Our KPIs are defined in the Definitions on page 106.

Financial KPIs

F
Gross Margin (%)

61.9%

Performance	
2020	61.9%
2019	67.1%

Purpose

The gross margin reflects our ability to drive occupancy and to rigorously control our operating costs.

Strategic Link 1 2 3 4 5

G
Adjusted Earnings per Share (p)

2.30p

Performance	
2020	2.30
2019	4.43

Purpose

Adjusted earnings per share is the earnings measure that best demonstrates our ability to reward shareholders through dividends.

Strategic Link 1 2 3 4 5

H
Dividend Cover (%)

183.8%

Performance	
2020	183.8%
2019	88.5%

Purpose

Dividend cover shows our ability to pay dividends out of current year earnings. – Note in the current year dividends were suspended. See page 31 for detail.

Strategic Link 1 2 3 4 5

I
Net Asset Value per Share (p)

105.00

Performance	
2020	105.00
2019	110.21

Purpose

Movement in the NAV per share reflects the quality of our assets and our ability to generate revenue from them.

Strategic Link 1 2 3 4 5

J
Total Return (%)

(3.6)%

Performance	
2020	(3.6)%
2019	8.6%

Purpose

The Total Return shows the aggregate value (lost)/gained for shareholders, through both capital (decline)/growth of NAV and dividends.

Strategic Link 1 2 3 4 5

Strategic Links

1. *Customers*
2. *Brand*
3. *People and Operations*
4. *Buildings*
5. *Shareholders*

Definitions

For definitions see page 12.

CFO and COO Statement

Driving efficiencies

> *Cost saving of £1.5 million annually from Q4, with the first full year of savings in 2022 – this significant cost saving is because we will no longer rely on an external third-party revenue management platform provider.*

LYNNE FENNAH
Chief Financial and Operating Officer
16 March 2021

Despite the impact of COVID-19 our operational performance has been robust, and the measures we have taken in response to the pandemic are detailed on page 6. We have continued to focus on revenue generation, reducing costs and increasing efficiency, as we complete and embed the changes made as part of the operational transformation and insourcing programme. In this respect we completed two key projects during the year, the first being a comprehensive review of the operational team structure and the second was the successful go-live of the revenue management system.

Operations Team Restructure

As part of the operational transformation programme, we have directly employed all staff working in our buildings since 2019, as we brought all activities in-house from several third-party managers. The organisational structure we inherited was inefficient and not aligned to optimal customer service delivery.

We therefore conducted a review during the year and moved to a more optimal structure, which has the following key benefits:

– Investment in more sales and customer service roles.

– Increasing the “out of hours” presence in our buildings, resulting in 24-hours/7 days a week coverage in our cities. This helps to make our buildings safer and allows us to provide a better welfare service to our students.

– Centralising tasks to the customer relations team (a centralised hub). This has made the support we provide to our site teams more efficient and has removed several administrative tasks from the site teams allowing them to focus on customer service.

– The above changes to the structure are cost neutral, but facilitate improved customer service delivery overall.

The proposed restructure was sponsored by the Senior Leadership Team and presented to the Board for approval. See page 41 for the Board’s considerations and rationale behind its approval of this restructure as part of our s.172 statement.

As the restructure impacted more than 20 of our people, we had a statutory legal duty to consult collectively, and this consultation was conducted through our Colleague Forum.

Revenue Management System

In November 2020 we successfully launched our new revenue management system and have started to take bookings for the academic year 2021/22. This system has been in development for three years and I would like to thank the entire team involved for the successful delivery of this platform, which is a key milestone for the Group.

The revenue management platform will form the basis of our ability to generate revenue efficiently and effectively end to end moving forward. The immediate benefits that this new system delivers are:

– **More timely pricing adjustments** – we have already seen the benefit of being able to make more timely pricing adjustments, which facilitates maximising revenue streams.

– **Improving the journey, communication and interaction with the customer** – we now have much greater access to and ability to communicate with our customers. We are now able to monitor in real time the progress of each customer as they move through the booking journey and to provide timely support as required.

– **Ease of use by our people, as all activity is on one platform** – this has significantly reduced inefficiency and cost.

– **Revenue management platform and finance system are one integrated platform** – this has removed the need to transfer financial transaction data between systems. The result is real-time financial information and reduced cost.

– **Cost saving of £1.5 million annually from Q4, with the first full year of savings in 2022** – there is a significant cost saving as we will no longer rely on an external third-party revenue management platform provider.

Health and Safety

Health and safety is of paramount importance to the Group. We have a legal and moral responsibility to ensure that everyone who is living, working in or visiting our buildings is kept safe.

Our buildings are inspected on a regular basis by the site staff to ensure that we identify and eliminate hazards. To assess the buildings for significant issues on an ongoing basis, we engage with specialist consultants to undertake thorough assessments of general safety/hazards, fire risks/prevention and water systems/treatment against legionella.

During 2020 we had planned to launch formal health and safety training by the Institute of Occupational Safety and Health (“IOSH”), and this was booked for H1 2020 but was cancelled due to the COVID-19 pandemic. However, through discussions with IOSH, we have established an IOSH-approved online training programme, with the first course delivered in December 2020 and to continue throughout 2021

We have also prepared a series of Toolbox Talks which are in document and video format for 2021 launch, and this will enable all site teams to have continual access to informal training.

We have also designed and agreed upon the format of a Health & Safety Forum to be implemented during 2021. This will include representatives from site teams throughout the country, as well as members of the Senior Leadership Team and the Board.

CFO and COO Statement continued

> *Our "cloud first" strategy allowed us to apply business continuity with minimal disruption to productivity.*

IT Infrastructure Improvements

During the year we also further strengthened our IT infrastructure. We gained Cyber Essentials Plus accreditation in April 2020 at the height of the pandemic, as well as implementing advanced cloud security tools to enhance our risk management strategy for the increased levels of remote and flexible working expected in the post COVID-19 landscape. Our "cloud first" strategy allowed us to apply business continuity with minimal disruption to productivity and greater flexibility to address challenges as we are not dependent on traditional on-premise solutions.

Financial Performance

Over the last three years we have delivered a positive financial improvement across all metrics year on year, as a direct result of the operational transformation we have implemented.

At the start of 2020 this operational transformation was largely complete, we had started to see the benefits with our gross margin approaching 70% and we were close to achieving dividend cover of 100%.

However, then the COVID-19 pandemic hit. Whilst we are encouraged by the underlying performance of the business, the impact of the pandemic is clear.

Revenue in 2020 was £59.4 million, down 16% from £70.9 million in 2019. The decrease was due to three key factors;

– £6.5 million of refunds were provided to students for the period from April to September 2020.This allowed us to release students who were in need from their obligations on a case-by-case basis and also helped to protect our brand.
– At the start of the 2020/21 academic year, we reported occupancy rates of 70%, compared to 94% in 2019/20. This meant that the final four months of the 2020 financial year had significantly reduced occupancy compared to 2019.
– Historically we have also sold around £700,000 of summer lets each year, clearly due to the COVID-19 pandemic we were not able to utilise this source of income in 2020.

However, the underlying performance of revenue was still robust; excluding the COVID-19 refunds for academic year 2019/20 our like-for-like rental growth would have been 3.1%. At this point, for the current academic year 2020/21 like-for-like rental growth is 1.8%.

Property costs were £22.7 million, down 3% overall as we cut discretionary costs and delayed expenditure where appropriate and continued to make efficiency improvements while also continuing to see the benefit of the operational transformation.

Dividends

Quarter ending	*Declared*	*Paid*	*Amount (p)*
31 December 2019	*17 February 2020*	*20 March 2020*	*1.25*

Loan to Value

35.4%

(2019: 32.9%)

Refunds provided to students in need

£6.5m

For 2019/20 academic year

On a cost per bed basis our cost was down 3%. Due to the COVID-19 pandemic reducing our occupancy levels we have been required to pay council tax on these empty rooms which has reduced the cost savings we have made. If we exclude the impact of this increased council tax bill during the year, our average cost per bed fell by over 6%.

The impact on revenue and property costs above produced a gross margin for the year of 61.9% (2019: 67.1%).

Administration expenses were £9.8 million in 2020, lower than our initial guidance of £10 million (2019: £9.2 million). We made savings in a number of areas such as not paying any employee or Director bonuses for 2020.

The net loss from a change in the fair value of investment properties during the year was £37.6 million (2019: £29.2 million gain). This loss is made up of four key components which are explained below:

– £21 million of the decrease is due to CBRE making a capital deduction to reflect the perceived risk to occupancy for the remainder of the 2020/21 academic year.
– £9 million of the decrease is in the valuation of operational assets over the year for two reasons:
  – There has been a polarisation of prime against secondary assets which has resulted in a softening of net initial yield from 5.55% to 5.61%.
  – a reduction in net operating income projections on secondary assets.
– £6 million of the decrease is on the value of our commercial portfolio, reflecting yields moving out on retail property.
– £2 million of the decrease is on our development assets reflecting the increased timetables on some of our development assets which are currently on hold due to our cash preservation approach.

The valuation bridge on page 17 illustrates the movement explained above.

Net financing costs for the year were £13.3 million, net of money market investment income (2019: £12.7 million). This net financing cost was slightly more than 2019 due to a higher level of drawn down debt through the year, as well as slightly lower interest received.

The result of this is a loss before tax of £24.0 million, (2019: profit £54.8 million). No corporation tax was charged, as the Group fulfilled all of its obligations as a UK Real Estate Investment Trust (“REIT”). Basic loss per share (“EPS”) was therefore (3.97) pence and also (3.97) pence on a diluted basis (2019: earnings 9.08 pence and 9.07 pence (diluted).

Adjusted EPS is the most relevant measure of earnings when assessing dividend distributions. It decreased by 48% from 4.43 pence in 2019 to 2.30 pence in 2020. This shows that the underlying operating business is continuing to generate cash despite the impact of the pandemic.

The Net Asset Value (“NAV”) per share as at 31 December 2020 was 105.00 pence, (31 December 2019: 110.21 pence, prior to adjusting for the interim dividend of 1.25 pence per share in respect of the quarter ended 31 December 2019). The NAV is shown net of all property acquisition costs and dividends paid during the year.

The NAV bridge below helps to illustrate the movement during the year.

Dividends

The dividends declared in respect of the 2020 financial year are shown in the table on the previous page.

Of the total dividends, 0.85 pence per share was declared as property income distributions and 0.40 pence per share was declared as ordinary UK dividends (2019: 2.75 pence per share and 2.25 pence per share, respectively).

The reduced dividend in the period has given dividend cover of 184% (2019: 88.5%).

On 31 March 2020, due to uncertainty created by COVID-19, the Group announced a number of actions to strengthen further its cash position. This included the Board’s decision, whilst remaining mindful of its REIT tax obligations, to suspend all future dividend distributions until market conditions stabilised. The Board is mindful of the importance of the dividend to shareholders and will seek to resume dividends at an appropriate level as soon as there is sufficient clarity of outlook. For this, we would need to see more commitment in the approach of universities to face-to-face teaching and a significant improvement in occupation and rental income.

Debt

In January 2020 we raised £22.5 million of development debt with NatWest bank to complete the existing pipeline.

In March 2020 we refinanced an expiring uncharged facility with FCB and at the same time increased the facility from £10 to £20 million.

In April 2020 we refinanced early an expiring £32.8 million facility with AIB on more favourable terms.

Throughout the year we have conducted extensive scenario planning and in July 2020 we took the prudent step of increasing our £70 million RCF with Lloyds Bank to £90 million.

At the year end, before deduction of loan arrangement fees, the Group had committed investment debt facilities of £420 million, of which £390 million were drawn down (2019: £355 million drawn down).

Of our drawn investment debt, £277 million of this debt is fixed and £113 million is floating. The aggregate cost of our investment debt was 2.9%, with a weighted average term of 5.9 years.

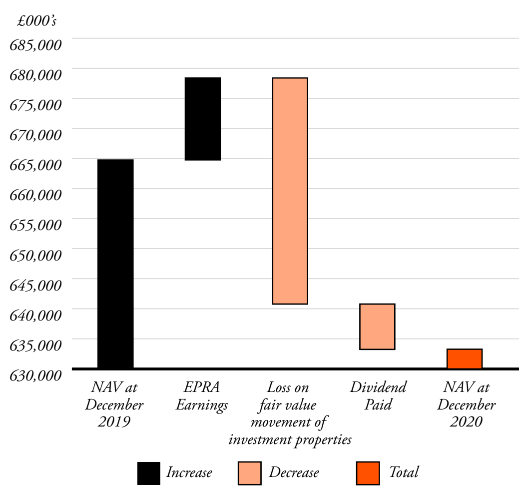
The Loan to Value for the Group was 35.4% (2019: 32.9%), broadly in line with our long-term LTV target of 35%.

We have also agreed waivers or an easing of covenant requirements on all our debt to ensure that we remain covenant compliant throughout the pandemic. We would like to thank all of our lenders for the support which they have provided through this period.

We currently have around £52 million of unencumbered assets and as at the year end we had £63.9 million of undrawn investment facilities and cash.

As we have no refinancing requirements until November 2022 and have taken protective measures to preserve liquidity, we are well placed to trade through until the market recovers.

NAV Bridge



Responsible Business

Progressive, responsible

Progression on our ESG journey is a priority at Board level.

Our ESG Journey and Commitment to Stakeholders

As a business we are committed to creating and operating a responsible and sustainable business which has a positive impact on all of our stakeholders while maintaining a profitable and sustainable business.

Our ESG journey is aligned to our culture and will be reflected in our relaunched values in 2021. ESG is important to all of our key stakeholders, who all receive benefits. ESG and our approach also becomes part of our approach to risk management.

Due to the impact of COVID-19 we have not been able to push on as far as we had expected with our ESG roadmap. However, we have still been able to make some very valuable key steps forward. We have also set out our plan for progressing our ESG agenda in 2021, through the Board, Senior Leadership Team and new committees' guidance. The Board has placed ESG as one of its key priorities.

This section provides more information on the various stakeholder engagement activities and our future plans. Please refer to the section 172 ("s.172") statement on page 40 for more detail on the Board's engagement with our key stakeholders.

ESG Management Framework

The Board

The Board has overall responsibility for...
the Group's ESG strategy and the direction which the Group will take.

ESG Committee

The Committee will oversee...
the creation of overall ESG strategy from the Group, ensuring that there is Board level discussion and input.

Sustainability working group

The group will oversee...
the delivery of environmental sustainability initiatives and commitments throughout the business.

People & Community working group

The group will oversee...
the delivery of initiatives impacting our people and the communities we operate in.

Governance working group

The group will oversee...
the levels of governance and oversight across the business continue to be upheld to a high standard.

Senior Leadership Team

Senior management are responsible for...
ensuring this ESG strategy is embedded throughout the business and provide key support to the communities above.

Our People

The successful delivery of an ESG strategy across our business will require the collaboration and support of all our people.

Priorities and targets for 2021

Priorities	*Targets*
Develop our ESG strategy and messaging	We have appointed an external consultant to help the Group review and formalise our ESG strategy. This will allow the Group to illustrate its long-term ESG strategy more formally and develop ambitious and achievable targets in the short and long term by which we can be measured against. We expect to announce more details of exactly what these commitments mean, including targets, timescales and plans in our 2021 Annual Report.
Embedding and developing the work of the ESG Committee	We have set up and agreed terms of reference for the ESG Committee and it will meet on a quarterly basis with the first formal meeting held in January 2021. The strategy and actions the Committee set will have a large impact in shaping the ESG roadmap of the business and ensuring the strategy set out by the Board is achieved.
Review our Group Values	With a new CEO, an updated staffing structure and a renewed focus on ESG through the business means that 2021 will be a perfect time to revisit the Group's values which we will present in the 2021 Annual Report. This reflects the evolution of the business over the last couple of years.

Our Key Stakeholders

Customers

The needs of our customers inspire our brand and provide insightful feedback on how we can improve our service offering to them and better fulfil our purpose.
We have a responsibility to provide our customers with a safe place to live and to care for their wellbeing, which is critical to the Board's strategic decision-making and our review of any operational changes.

—

Communities

Our communities help us to fulfil our purpose of enhancing the university experience for our customers. The Board aims to understand the local markets in which we operate and the key issues we face which assists its decision-making around new opportunities through which we can contribute to our local communities.

—

Environment

Our environment is fundamental to our future. We have a duty to operate our business in an efficient way, giving specific regard to the impact of our operations on the environment and utilising methods throughout our properties (both development and operational sites) that mitigate the risk of environmental damage.

People

Our people are vital to the successful delivery of our business performance. We have a responsibility to provide our people with a safe place to work and to care for their wellbeing.
The tone and culture of our organisation comes alive through the actions of our people.

—

Shareholders

Our shareholders are key stakeholders in our business. The Board has a responsibility and desire to communicate key matters relating to the Group openly and honestly to our shareholders.
The Group also has a wider responsibility to shareholders to enhance the value of the business and fulfil its purpose ethically.

—

Responsible Business continued

Stakeholder Engagement

Priorities	*Why We Engage*	*How We Engage*
Customers	Our customers are at the core of our purpose and provide useful insights into how we can build on our customer service to improve their experience at university. We have a responsibility to provide our customers with a safe home to live in and to support them through their journey at university.	On a day-to-day basis within our buildings. Through biannual customer surveys. Through our social media presence.
People	Our people have been key to our operational transformation, working hard to deliver the brand experience for our customers. We have a responsibility to provide our people with a safe working environment and to support them in both their career and personal development.	On a day-to-day basis we use Workplace as an internal communication tool. Weekly updates are provided to all by members of the SLT. Monthly townhalls are held where our people can raise questions and contribute. Through the Colleague Forum.
Communities	Our purpose to enhance the university experience for our customers also serves to support the local communities we operate in through the creation of jobs and assisting to reduce tensions in the local housing markets. We have a responsibility to give back to our local communities and support them in their local initiatives that help others.	Through on-site communication with members of the public and local communities. We have membership with the British Property Federation where we can interact with communities and government on a wider basis. We also have interaction with communities through the property licensing disclosures we have to undertake.
Shareholders	Our shareholders are key to our long-term sustainable performance. We have a responsibility to manage the business in an ethical manner, ensuring that we value the interests of all our key stakeholder groups in order to enhance the value of the Group for the shareholders.	Through face-to-face meetings with investors. Through our Annual and Interim Report. At our Annual General Meeting.
Environment	The environment in which we live in is a valuable and precious asset which we need to ensure our business helps to protect and conserve. Environmental issues such as climate change could develop into a business risk for our business.	On an annual basis there is detailed ESG reporting within our Annual Report. In 2021 we are looking to increase the level of reporting and policies available on our website.

Their Material Issue	*Actions Taken in 2020* *(Detail in next section)*
– Safety in their homes – Customer service – Value for money	– Implementation of enhanced health and safety measures in our buildings – Offering refunds to students impacted by COVID-19 pandemic – Launching a student assistance programme
– Safety at work – Pay and reward – Communication	– Implementation of enhanced health and safety measures in our buildings – Revamping our internal communications to offer weekly communications and monthly townhalls – Becoming a Real Living Wage employer from January 2021 – Restructuring our operational staffing model
– Job creation – Housing stock – Supporting local charities	– Provided 284 new beds during the year to free up local housing stock – Supported a number of local charities and donated items to British Heart Foundation
– ESG reporting and disclosure – Sustainable business – Financial results	– Launching the ESG Committee – Developing our ESG strategy – Protecting the business and ensuring its long-term sustainability and going concern
– Reduction in greenhouse gas emissions – Sustainable business	– Moving all our electricity to renewable energy sources – Identifying energy reduction initiatives requiring some capital expenditure to implement in 2021

Responsible Business continued

Customers

Customer Pledge

Our pledge to our customer is that we will always strive to fulfil our purpose (see inside front cover) which involves providing our students with a safe place in which to live. Due to the impact of COVID-19 we implemented a wide-ranging number of initiatives to keep our customers safe and improve their wellbeing, from monitoring of students self isolating to implementing protective measures within our buildings. More detail of all of our responses to COVID-19 are detailed on page 6 and the case study on page 18 goes into further detail on how we protected our customers.

Refund Programme

In April 2020 we launched a refund programme to help our customers who had been impacted by the COVID-19 pandemic, and we launched this programme because we felt that ethically it was the right thing to do. The Board's considerations are set out on page 40 within the s.172 statement.

Wellbeing

In 2020 we launched in partnership with Endsleigh, a student assistance programme. This programme provides our customers with unlimited access to a 24/7 mental health and confidential counselling (BACP accredited) through a telephone helpline. Calls are answered by an experienced counsellor or therapist who will offer support for a variety of issues. Our customers may also have up to six sessions of structured telephone counselling including CBT counselling per issue each year. We believe supporting our customers' wellbeing is paramount.

Providing our customers with unlimited access to

24/7

mental health and counselling (BACP accredited) confidential telephone helpline.

Our People

Prioritising Health and Wellbeing during COVID-19

Ensuring our people were safe during the pandemic was of paramount importance to the Group. We implemented a wide-ranging number of initiatives to keep our people safe, from monitoring of any staff showing symptoms or self isolating to implementing protective measures within our buildings and adapting our sickness and leave policies. More detail of all of our responses to COVID-19 are detailed on page 6.

Reward and Recognition

Due to the effects that COVID-19 has had on the Group, the decision was taken to suspend the Group's formal bonus scheme. A pay freeze among all managerial roles and above was also implemented to protect our business.

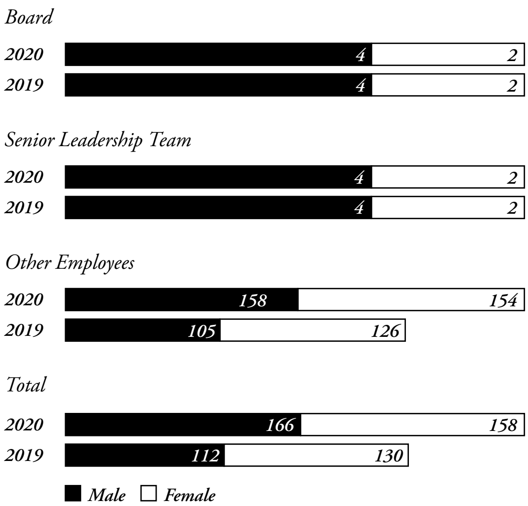
As part of the Group reorganisation discussed in more detail on page 30, we rebased the pay of our frontline staff looking at the latest benchmarking and also with a view to being a Real Living Wage employer. From January 2021 the Group will pay all staff at least the Real Living Wage and has an ambition to ensure they remain at this level in the future.

Internal Communications

In a time where people felt more isolated than ever during the pandemic, ensuring internal communications were kept current and frequent was a key priority. During the year we revamped our internal communications to offer weekly communications and monthly townhalls.

We held two townhalls during 2020 and will move to a monthly basis in 2021. They have already heralded strong feedback and favourable support from our people.

Gender Diversity



Equality, Diversity and Inclusion

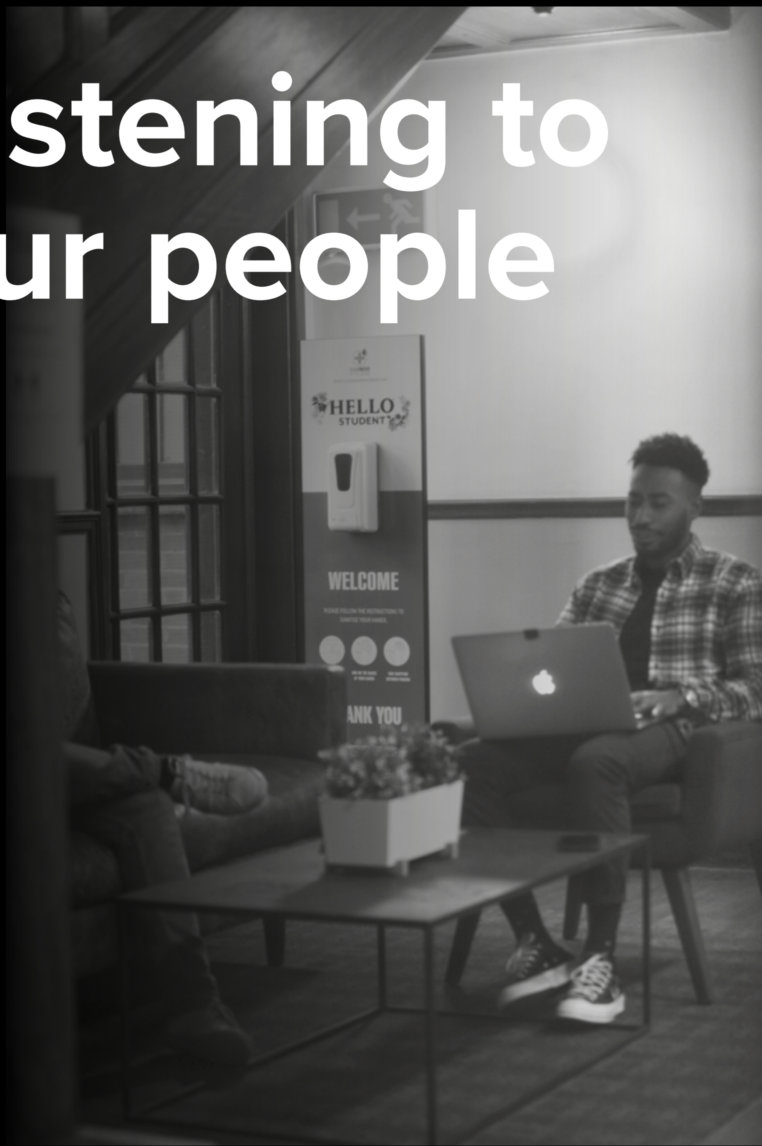
Group employees are committed to promoting an inclusive, positive and collaborative culture. We treat everyone equally irrespective of age, sex, sexual orientation, race, colour, nationality, ethnic origin, religion, religious or other philosophical belief, disability, gender identity, gender reassignment, marital or civil partner status, or pregnancy or maternity.

We continued to review our approach to diversity, equality and inclusion, including the use of targets during 2020. We recognise this as a key building block of our social strategy and it will form part of the Governance working group's 2021 agenda. Our workforce and customers are from a diverse range of people so we need to ensure that our workplace remains inclusive and allows our people and our customers a place where they can thrive.

Case study

Workforce Representation

Listening to our people



The Colleague Forum

The Colleague Forum is a formal workforce advisory panel set-up in May 2019, consisting of 12 employee representatives across the Group. Its main purpose is to give the wider workforce a platform through which they can share their ideas on enhancing business performance and improving efficiencies, as well as their experience with the business.

The Colleague Forum is supported by Alice Avis (Non-Executive Board member) who attends at least one Colleague Forum meeting every year and is available as a direct Board contact for the forum.

During 2020 the Colleague Forum consulted with the Senior Leadership Team and HR team on key decisions including the Group's response to COVID-19 and the restructure of our operational teams. It was a good platform for the wider workforce to communicate their key questions and priorities during a year of change, allowing the business to respond effectively and understand best what support our people and customers needed.

Responsible Business continued

Social – our people

Communities

Supporting Local Communities during COVID-19

During the year we continued to support our local communities in any ways we could during this difficult time. The way we helped and supported local communities varied from organising fundraisers to buy PPE for local hospitals and care homes to donating unwanted goods left behind by students to the British Heart Foundation. In 2021 as part of our ESG roadmap we hope to pull together all the support we give back to our local communities.

Modern Slavery

Protecting human rights and preventing modern slavery is important to us. We are fundamentally opposed to slavery and committed to understanding the risk of it and ensuring it does not occur anywhere within our business or supply chain.

Our most significant risk area in relation to slavery and human trafficking is in our supply chain, particularly in connection with the sourcing by suppliers of construction material, certain goods and the provision of manual labour in property development and management services.

While nearly all our direct suppliers are based in the UK, some of these suppliers source some materials from around the world.

As part of our broader initiative to identify and mitigate risk in our supply chain, we have updated our consideration of factors such as:

– reviewing our current contractors and suppliers, particularly in relation to supply chain, with a view to developing preferred supplier list arrangements based on robust selection;
– centralising more contracts as a core part of our supplier management strategy;
– strengthening our compliance review processes within procurement practices;
– developing strong relationships with UK-based suppliers and contractors that align to our business code of conduct expectations; and
– ensuring systems are in place to encourage the reporting of concerns and the protection of whistleblowers in our supply chain.

We believe there is minimal risk of slavery and human trafficking in our colleague base. We continue to review this risk assessment and monitor our activity as part of our broader approach to ensuring we are a responsible and sustainable business.

For our full statement please refer to *www.hellostudent.co.uk.*

Shareholders

ESG Reporting

Shareholders are becoming even more conscious and questioning of the ESG credentials of the businesses in which they want to be involved with. We have received feedback from our investors that they wish to gain a greater understanding of the ESG credentials of the Group. The shareholders are the ultimate beneficiary of all of the actions taken throughout this section and will further benefit from the actions and targets we have set out for 2021 on page 33.

Ethical Business

We are committed to carrying out business fairly, honestly and openly. Our anti-bribery policy mandates a zero-tolerance approach, which all our people must read and consent to, both during their induction and when any updates are made to the policy. We require employees to take regular compliance training and to certify each year that they have complied with our policies.

Our people are important to our business maintaining the highest standards of honesty, openness and accountability. Our whistleblowing policy explains how our people can report a whistleblowing concern and reassures them that any such disclosure is made in full confidence. The Board monitors and reviews the policy on at least an annual basis to ensure it complies with UK legislation. There were no incidents of whistleblowing during the year.

OUR VALUES

Our core values ensure that everyone understands and is aligned with what we are and how we want to operate.

Honest

We act with integrity and have courage to do the right things.

Open

We are transparent in what we do. We engage, involve and share.

Creative

We do things differently, delighting our customers, colleagues and shareholders.

Strive

We are always looking for better ways to do things for our customers, colleagues and shareholders.

Environment

Energy Usage

Our total direct and indirect greenhouse gas emissions like-for-like have decreased by 8% since 2019. Our electricity consumption has reduced by 11% on a like-for-like basis compared to 2019.

We believe that while some of the energy savings have been due to initiatives we have implemented, COVID-19 has also had an impact in the reduction of GHG and electricity consumption in 2020.

Water Usage

Our total water usage has decreased by 7% since 2019. We believe that there would have been a greater reduction in 2020, however, we increased our flushing activities to ensure the sites were well sanitised before the return of students, increasing consumption in 2020.

Methodology

We have used the EPRA Best Practices Recommendations on Sustainability Reporting (Third Edition) and GHG Protocol Standard (revised edition), using a financial control organisational boundary to prepare this disclosure. The UK Government Conversion Factors for Company Reporting have been applied to convert energy data into greenhouse gas emissions. Whole building data has been reported and any missing data has been estimated using either direct comparison, pro rata calculation or based on an average consumption value per bed.

Green Energy

The electricity we use in our buildings is 100% renewable. This is backed by UK-based renewable generation certificates administered by Ofgem. This means the electricity we use is generated in renewable ways ranging from solar and wind turbines to anaerobic digestion and biomass plants.

We have also planned a workshop in 2021 with our energy consultant to identify new opportunities for green energy that can be implemented at our existing sites and how this will impact our energy consumption and costs.

Waste Management

All sites currently have recycling facilities that are used by our customers and people. We aim to review our overall waste management arrangement to identify more efficient ways to manage our recycling throughout the whole Group. The Sustainability working group will review our waste strategy in 2021.

The tables below contain our EPRA performance data for each relevant impact area.

Greenhouse Gas	*EPRA Code*	***2020***	*2019*
Like-for-like:			
Total direct GHG emissions (tCO_2e)	GHG-Dir-LfL	***3,786***	*4,377*
Total indirect GHG emissions (tCO_2e)	GHG-Indir-LfL	***4,617***	*4,742*
Absolute:			
Total direct GHG emissions (tCO_2e)	GHG-Dir-Abs	***3,787***	*4,337*
Total indirect GHG emissions (tCO_2e)	GHG-Indir-Abs	***4,622***	*4,742*
Normalised:			
GHG intensity from building energy consumption (tCO_2e per operating bed)	GHG-Int	***0.97***	*1.04*

2020 – % of total assets included: LfL – 100% / Abs – 100%
2020 – % of data estimated: LfL – 0.5% / Abs – 0.5%

Energy	*EPRA Code*	***2020***	*2019*
Like-for-like:			
Total fuel consumption (kWh)	Fuels-LfL	***20,592,043***	*23,803,443*
Total district heating & cooling consumption (kWh)	DH&C-Abs	–	–
Total electricity consumption (kWh)	Elec-LfL	***18,063,751***	*20,337,862*
Absolute:			
Total fuel consumption (kWh)	Fuels-Abs	***20,597,942***	*23,803,443*
Total district heating & cooling consumption (kWh)	DH&C-Abs	–	–
Total electricity consumption (kWh)	Elec-Abs	***18,083,045***	*20,337,862*
Normalised:			
Building energy intensity (kWh per operating bed)	Energy-Int	***4,439.46***	*5,025.19*

2020 – % of total assets included: LfL – 100% / Abs – 100%
2020 – % of data estimated: LfL – 0.5% / Abs – 0.5%

Water	EPRA Code	***2020***	*2019*
Like-for-like:			
Total water consumption (m^3)	Water-LfL	***422,730***	*455,578*
Absolute:			
Total water consumption (m^3)	Water-Abs	***422,730***	*455,578*
Normalised:			
Building water intensity (m^3 per operating bed)	Water-Int	***48.52***	*51.86*

2020 – % of total assets included: LfL – 100% / Abs – 100%
2020 – % of data estimated: LfL – 49% / Abs – 49%

Responsible Business continued

Section 172

Section 172(1) Companies Act 2006 'Duty to promote the success of the company'

A director of a company must act in the way he/she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

The Likely Consequences of Any Decision in the Long Term

The Board provides oversight over the Company's performance and gives guidance as to the long-term strategy of the Company. The day-to-day management and decision-making is delegated by the Board to the Senior Leadership Team who provide regular updates to the Board. This allows the Board to monitor the performance of the Company and that the Company is progressing in line with the long-term strategy. The KPIs reported on page 26 are the key metrics which the Board reviews, which are supplemented by further detailed reporting.

The Interests of the Company's Employees

Our people are crucial to the Company's success; they provide our customers with exceptional service to ensure they feel at home. The Board recognises how vital our people are and as such all decisions taken by the Board consider the interests of the Company's employees.

The Board has designated Alice Avis (Non-Executive Director) to liaise with the Colleague Forum. This allows a direct conduit between the Board and our people. This gives the Board insight into the views and concerns of our people and allows them to ensure their decisions are aligned with the interests of the Company's employees.

The Need to Foster the Company's Business Relationships with Suppliers, Customers and Others

The Company has a few key suppliers and the Board is involved in reviewing and approving any key contracts which the Company enters into. As such the Board provides oversight and challenge to key suppliers. Day-to-day relationships with Company suppliers are delegated to the Senior Leadership Team to ensure a close relationship is fostered.

Without customers the Company could not exist, and as such the Board takes great interest in fostering relationships with these customers. The Board reviews the results of the biannual customer survey, as well as receiving and reviewing other ad hoc reports on our customer's preferences and wishes. As part of the CEO's Board reporting, our customers sit as a standing agenda item. The Board believes that fostering a close relationship and a deep understanding of our customers is key to the Company's success.

The Impact of the Company's Operations on the Community and the Environment

The community and environment in which the Company operates in is a key priority for the Board. The Board identified that the Company's ESG strategy was not strong enough and so set about reviewing this in 2020 for launch in 2021. The Board takes the impact of the Group's operations on the community and environment into account in each decision. The decisions which the Board take can have widespread ramifications. Reviewing this impact is not a perfunctory exercise but one which the Board believes is a key responsibility, which includes robust challenge of all decisions.

The Desirability of the Company Maintaining a Reputation for High Standards of Business Conduct

The Board recognises the importance of maintaining a reputation for high standards of business conduct. The Board always seeks to make the "right" decision which while taking into account the needs of all of our stakeholders also reflects morally on our obligations as a Company.

The Board encourages this principle throughout the business and directs the Company's ethos through the Company purpose and values. The Board is reviewing alongside the Senior Leadership Team and our people, the Company values in 2021 to ensure they continue to remain fit for purpose.

The Board also encourages the Company to go above and beyond in certain areas and one particular example is mental health welfare, where the Board pushed for support for both our people and our customers to be set up.

The Need to Act Fairly as Between Shareholders of the Company

The Board believes transparency and accountability of the business is paramount to encourage shareholder confidence. The Board listens to and reviews the views across our shareholder base.

The need to act fairly between all of our shareholders underpins the Board's decisions; and the Board receives regular feedback from shareholders after our annual and interim results release. The Board also receives and reviews feedback from research analysts throughout the year. This helps to identify key shareholder trends which the Board takes note of. The capital structure of the Company as a REIT, limiting individual shareholdings to a maximum of 10% of issued share capital helps to ensure there are no dominant shareholders and that all shareholders are treated equally.

Principal Decision 1 – March 2020 – COVID-19 response decision

When the impacts of the COVID-19 pandemic began to become visible in March 2020, the Board took several different actions such as:

- Offering refunds to students who met specific criteria
- Suspension of dividends
- Deferring development spend

Long-term success considerations

The actions which the Board undertook were focused on protecting the long-term success of the Company.

The decision to offer refunds was taken after considering the PBSA market and the reputation of the Hello Student® brand. The Board sought to protect and strengthen the Hello Student® brand by offering these refunds.

The Board reflected that the refunds decision would generate some positive brand goodwill and help our brand stand out amongst others in the market who did not take the same approach.

The decision to suspend dividends and defer development spend were taken by the Board after considering the long-term viability of the Company. Taking these actions ensured that the Company would conserve capital to weather the crisis.

Stakeholder impact considerations

Customers – The Board considered that offering refunds clearly was a positive decision for our customers. Many students benefited from this decision during what was a very stressful time.

People – The Board considered how these decisions would impact people, protecting our capital by suspending dividends and that deferring development spend would help to ensure our long-term viability and ensure our people's jobs were protected.

Shareholders – The Board considered that our shareholders would benefit from these decisions, as they would help to protect the long-term viability of the Company.

Community/Environment – The Board considered whether there were any adverse impacts on either the community or environment and concluded that the above decision would have no adverse impact.

Outcomes

The actions taken by the Board to preserve capital has ensured that the Company is in a healthy state as we progress through this pandemic and has allowed the Company to still be considered a going concern (see page 43 for detail).

The Company and the Hello Student ® brand received large amounts of positive feedback from students receiving refunds.

The Board's belief is that this principal decision taken was a positive decision for all stakeholders.

Principal Decision 2 – September 2020 – Staff restructuring decision

In September 2020 the Senior Leadership Team presented to the Board a staff restructuring paper which looked at overhauling the current staffing structure. Due to the size of this transition and change the Board reviewed this proposal.

Long-term success considerations

When making this decision the Board considered the long-term success of the business. The existing structure was not fit for purpose and left the Company at a disadvantage to other competitors in the industry. As such implementing this change would ensure that the Company had a solid footing for success in the future.

Stakeholder impact considerations

Customers – The Board considered that moving to a 24 hours a day seven days a week staffing structure was only going to benefit our customers. It would allow us the ability to be there for our customers at all times of the day whenever our customers need us most.

People – The Board considered how these decisions would impact people. Clearly, under the restructure some of our people would be made redundant which would have a negative impact. However, the rationale behind the fact that we are making our staffing model fit for purpose, the creation of alternative roles for staff to apply for and ensuring the structure is viable for the long term all outweigh the negative impact. Overall, the Board believed that the staffing restructure would have a positive impact on our people.

Shareholders – The Board considered that our shareholders would benefit from these decisions; the new staffing structure is budgeted to be cost neutral and will also reduce the need for third-party security contractors. As stated above, it will also ensure the business has a platform for long-term growth which will benefit the shareholders.

Community/Environment – The Board considered what impact the new staffing structure would have in our buildings. Having staff in our buildings 24 hours a day will allow them to focus further on energy efficiency measures and recycling which take place around the clock. The Board reviewed other impacts and concluded that the above decision would have no adverse impact.

Outcomes

The outcome was that the Board approved the staff restructuring with the restructure complete by December. Page 29 has more detail on the restructure. As we move into 2021 more evidence will become available to support the Board's considerations above.

The Board's belief is that this principal decision taken was a positive decision for all stakeholders.

Principal Risks and Uncertainties

2020 has been a year of change with the COVID-19 pandemic having a significant impact on our principal risks and uncertainties. The Board has maintained constant review of the Group's risk environment, ensuring operational platforms are flexible in adapting to risks whilst remaining in line with our strategic objectives. With the key challenges faced this year, the Group has maintained its strong culture of mitigating significant risks and responding to changes efficiently.

The Board regularly assesses the risk appetite of the Group, with the Audit Committee formally reviewing the effectiveness of our risk management process and internal control systems biannually. During the year, the Audit Committee has not identified or been advised of any material failings or weaknesses.

Changes to Principal Risks

COVID-19 has revealed a number of factors that will be impacted either directly by the ongoing pandemic, or life in a post-COVID-19 world as the "new normal" is defined.

As a result, the Board has introduced a new risk – Revenue Risk – which highlights the risk of reduced revenue from changes to university operations (for example, university teaching moving to an online platform or universities facing financial difficulties due to reduced student demand for higher education) and travel restrictions (for example, reduced domestic and international travel or issues with international student visas).

Now all assets are operating under the Hello Student® platform, cost control has become part of our culture and the business has better processes in place to operate efficiently. As such, we have removed the Cost Control Risk from our principal risks. With less developments in the pipeline, we have removed the Development Risk.

The health and safety of our people, customers and visitors to our sites is paramount, and the Board puts health and safety and the associated risks on every meeting agenda. With increasing focus on fire safety and greater regulations in place, we believe our Regulatory Risk and Health & Safety Risk has increased.

The Audit Committee has reviewed and approved the above changes to our principal risks and risk appetite. The trends relating to all the principal risks and uncertainties are set out in the table on pages 44 to 45 with our emerging risks on page 46.

Brexit

The UK has now formally left the European Union after a transition period. To date we have not seen any impact from this event. The Board takes comfort that this government is committed to growing international student numbers – from the current level of almost 450,000 to 600,000 by 2030. The Treasury has also recognised the value of higher education exports by making visa applications and postgraduate employment limitations less onerous. As a result no principal risk has been added due to Brexit.

Risk Responsibilities

The Board

The Board has overall responsibility for...
the determination of the Group's risk appetite, the setting of objectives and policies, and has ultimate responsibility for managing risk.

Audit Committee

The Audit Committee formally reviews...
the effectiveness of our risk management processes and internal control systems biannually.

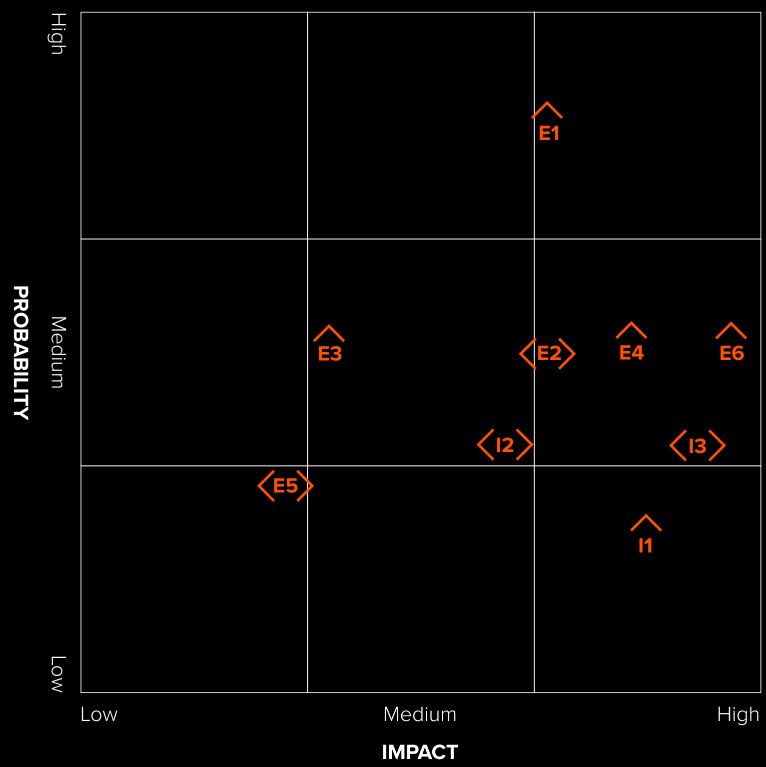
Senior Leadership Team

Senior management are responsible for...
reviewing and monitoring the Group's key risks, and overseeing the implementation and operation of the risk management and internal control systems.

Our People

Everyone at Empiric has a role to play...
in identifying key risks facing the Group, and in the day-to-day management of risk through applying the appropriate controls, policies and processes.

Adapting risk management in a changing environment



External Risks
- **E1** Student Demand Risk
- **E2** Competition Risk
- **E3** Property Market Risk
- **E4** Regulatory Risk
- **E5** Funding Risk
- **E6** Revenue Risk

Internal Risks
- **I1** Health & Safety Risk
- **I2** Cyber Security Risk
- **I3** People Risk

The COVID-19 pandemic has created global economic uncertainty, and in particular an uncertainty around income for the 2020/21 and 2021/22 academic years. Accordingly, the Group has conducted a detailed going concern review and considered its liquidity position and banking covenant compliance strength.

On 31 March 2020 the Group announced the difficult decision to suspend dividend distributions and guidance. The Group also took decisive action to focus on liquidity. All development spend was paused and other discretionary costs were reviewed with reductions identified and implemented. The Group also announced it would look favourably upon requests on a case-by-case basis from its customers who were either no longer in occupation or, due to university closures, plan not to return to their accommodation, to be released from their rent and lease obligations from 25 April 2020 onwards. The worst-case estimate for this was a £21 million cash impact, however the final actual impact of releasing students their rent obligations for the academic year 2020/21 was much less at £6.5 million.

As at 31 December 2020 the Group had £34 million in cash and £30 million of undrawn investment debt facilities. The Group is well funded and has no refinancing requirements until November 2022.

The Group's debt facilities include covenants in respect of LTV and interest cover, both projected and historic, and all debt facilities are ring fenced with each specific lender. The Group maintains regular dialogue with all of its lenders as part of the ordinary course of business, however during the pandemic we have increased the frequency of this dialogue. As part of these discussions with our lenders we have had conversations specifically around the interest cover covenants to ensure we either temporarily restructure these or gain the relevant waivers from the banks to ensure that no issues arise. To date all of our banks have been supportive during this period and have expressed commitment to the long-term relationship they wish to build with Empiric.

Management has evaluated a number of scenarios in its going concern model. The critical assumption is the revenue occupancy for the 2021/22 academic year. Upside, central and downside cases have been constructed showing 2021/22 academic year occupancy of between 80% and 95%. A downside stress scenario has also been considered which has set 2021/22 revenue occupancy at similar levels to the 2020/21 academic year.

In Scenario 1, 2 and 3 above the Group continues to maintain covenant compliance for all its interest cover covenants. It maintains adequate levels of liquidity and does not need to utilise the additional £20 million RCF facility negotiated with Lloyds Bank plc throughout the same assessment period. In addition, no assumption is made as to the level of additional cost-cutting measures or mitigating actions which could potentially be undertaken.

In Scenario 4, under our Downside Stress Scenario, we would not meet interest cover covenants at the 30 June 2021 measurement date for two lenders. However, the Group has cure rights under the lending agreements and sufficient cash headroom to cure any ICR breaches if required.

For one lender, under Scenario 4, we would not meet a specific 80% occupancy covenant requirement by October 2021. Under this scenario we would be dependent on the further support of this lender, and we would expect this support to be forthcoming.

To support the Directors' going concern assessment, the management also evaluated the occupancy level at which all ICR covenant tests were breached and, additionally, the impact of a "Reverse Stress Test" which was performed to determine the level of revenue occupancy for the 2021/22 academic year at which the Group would need to seek alternative sources of funding. For this modelling we kept revenue occupancy for the 2020/21 academic year at 65%.

The Directors noted that if occupancy falls below 44% then the Group would be in breach of all ICR covenants, and at 18% revenue occupancy for the 2021/22 academic year (47% lower revenue occupancy than our Downside Stress Scenario) the Group would need to seek alternative sources of funding.

Having reviewed and considered three modelled scenarios, a Downside Stress Scenario, the 2021/22 academic year occupancy level at which ICR covenants would be breached and the level at which alternative sources of funding would be required, the Directors consider that the Group has adequate resources in place for at least 12 months from the date of these results and have therefore adopted the going concern basis of accounting in preparing the annual financial statements.

Going concern – Viability Statement

Scenario	*Revenue occupancy for 2020/21 academic year*	*Revenue occupancy for 2021/22 academic year*
Scenario 1 – Upside Scenario	65%	95%
Scenario 2 – Central Scenario	65%	85%
Scenario 3 – Downside Scenario	65%	80%
Scenario 4 – Downside Stress Scenario	65%	65%

The Group continues to maintain covenant compliance for its LTV thresholds throughout the going concern assessment period. Property values would have to fall by more than 15% from December 2020 valuations before LTV covenants are breached.

Principal Risks and Uncertainties continued

External Risks Table

	Risk and brief description	*Potential impact*	*Mitigation in place*	*Trend*
E1	*Student Demand Risk* There is a risk that the level of student demand will decrease. — *Link to Strategy* 1 2 3 4 5	– Loss of revenue – Erosion of asset values – High void costs – Potential breach in bank covenants	– Senior Leadership Team and the Board closely monitor government policy, student numbers and other micro and macro-economic factors. – We ensure our assets are well located serving established leading universities. – Where possible, we ensure our buildings are fit for alternative use, such as private residential, subject to planning. – High-quality management information is provided across the business. – All properties are now managed in-house under the Hello Student® brand.	
E2	*Competition Risk* The risk of an increased level of competition and supply in the student sector. — *Link to Strategy* 1 2 3 4 5	– Oversupply of student accommodation – Pressure on student rental growth – Inflated asset and land prices	– UK student numbers are due to increase from 2021. – We ensure our assets are well located serving established leading universities. – Assets in prime locations, in varying formats and at different price points. – High-quality management information is provided across the business. – All properties are now managed in-house under the Hello Student® brand helping providing a strong brand identity.	
E3	*Property Market Risk* The potential for a downturn in the property market. — *Link to Strategy* 1 2 3 4 5	– Erosion of asset values – Potential breach in bank covenants – Lower Total Return for shareholders	– Assets in multiple prime locations, diversifying the risk. – We maintain prudent levels of gearing, with a LTV limit of 40% and long-term target of 35%. – The higher education sector is made up of a wide range of students from the UK, EU and non-EU countries, which helps to protect the student accommodation market.	
E4	*Regulatory Risk* Large levels of regulation being applied to the student accommodation market. — *Link to Strategy* 1 2 3 4 5	– Potential impact on our Total Return – Reputational damage and penalties – Higher compliance costs	– Hello Student® is ANUK accredited, and Lynne Fennah sits on the Student Accommodation Committee of the British Property Federation. – Involvement with these bodies means that we are well informed of any potential upcoming regulatory change. It also provides a basis for industry lobbying if required. – Our operational teams try to build close working relationships with local authorities to keep abreast of any changes. – Regular review of fire safety regulations and checks to ensure our buildings, at a minimum, remain compliant with standards.	
E5	*Funding Risk* The availability of debt or equity and ability to raise it on acceptable terms. — *Link to Strategy* 1 2 3 4 5	– Stifling of future growth potential – Forces sale of assets to repay debt – Reduction of profit	– Our average maturity of debt of 5.9 years with £30 million undrawn as at 31 December 2020. – We maintain prudent levels of gearing, with a LTV limit of 40% and long-term target of 35%. – Experienced finance team with a strong track record in procuring both debt and equity.	

Strategic Links	*Strategic Links*
1. Customers	*^ Increasing*
2. Brand	*<> No change*
3. People and Operations	*v Decreasing*
4. Buildings	
5. Shareholder Outcomes	

External Risks Table *continued*

	Risk and brief description	*Potential impact*	*Mitigation in place*	*Trend*
E6	*Revenue Risk* The risk of reduced revenue from various changes to university operations and travel restrictions. — *Link to Strategy* *1 2 3 4 5*	– Reduced profitability – Stifling of future growth potential – Potential breach in bank covenants – Erosion of asset values	– Regular communication with universities to review changes in their operations and future teaching plans. – Monitoring changes in domestic and international travel restrictions and adapting our sales approach accordingly. – Where possible, we ensure our buildings are fit for alternative use, such as private residential, subject to planning. – High-quality management information is provided across the business.	^

Internal Risks Table

	Risk and brief description	*Potential impact*	*Mitigation in place*	*Trend*
I1	*Health & Safety Risk* The occurrence of a major health and safety incident including a fire or infectious outbreak. — *Link to Strategy* *1 2 3 4 5*	– Injury and impact on customers, contractors, staff and visitors – Compensation costs incurred – Reputational impact – Loss of life in a worst-case scenario	– Health and safety metrics are reported monthly. – Policies, procedures and training for all staff. – Ultimate Board responsibility involving regular Board reporting from the Head of FM. – Live compliance dashboard which is monitored daily. – Regular review of fire safety regulations and checks to ensure our buildings remain compliant with standards, going over and beyond fire safety requirements.	^
I2	*Cyber Security Risk* The Group suffering from a cyber security breach. — *Link to Strategy* *1 2 3 4 5*	– Reputational damage – Deteriorated customer experience – Higher costs and reduced profitability	– Developed a business continuity plan to enable Group operations to continue in the event of a breach. – Centralised our IT network across the Group and recruited an in-house IT team. – Deployed an updated training programme across all staff. – Implemented a data monitoring system to protect our platforms across the IT estate.	<>
I3	*People Risk* Inability to retain and attract top levels of staff. — *Link to Strategy* *1 2 3 4 5*	– Loss of key business knowledge – Higher costs – Impact on customer service	– Exit interviews are used to identify any areas for improvement within the business. – Ongoing training and development programme designed to upskill staff regularly and progress forward with their career within the business.	<>

Emerging Risks

The Audit Committee also considers emerging risks. These are new or unforeseen risks that we are conscious of, however their potential impact is not fully known. The Committee reviews these biannually alongside the principal risks and uncertainties. The Audit Committee has detailed below the risks it believes are emerging and the potential impact it may have on our principal risks:

Emerging risk	*Impact on principal risk probabilities*	*Mitigating factors*
Geo-political Crisis A geopolitical dispute between China or India and the UK could result in foreign governments placing embargoes on their students coming to study in the UK.	– Increase – E1 – Student Demand Risk – Increase – E3 – Property Market Risk – Increase – E5 – Funding Risk – Increase – E6 – Revenue Risk	– Involvement with the BPF Student Accommodation Committee which lobbies the government on issues impacting the sector. – The UK Government has expressed its support for international students and the positive impact that they have on our economy.
Increasing Use of Online University Courses The COVID-19 pandemic has forced universities and students into the use of online teaching methods. The fact that the pandemic has shown that this style of teaching can be effective to some degree could result in a long-term move towards online courses which would not require purpose-built student accommodation.	– Increase – E1 – Student Demand Risk – Increase – E3 – Property Market Risk – Increase – E6 – Revenue Risk	– Studies have revealed that a significant majority of students want to return to a campus-based experience as soon as possible. – University experience is seen as more of a life experience rather than just an educational stepping stone.
Climate Change Climate change has the potential to impact every business in the world. Climate change could impact planning legislation restricting supply of PBSA, cause flooding, increase government legislation across a wide range of areas and many other impacts. The increased awareness around this issue is going to bring these issues and risks to the foreground.	– Increase – E1 – Student Demand Risk – Increase – E3 – Property Market Risk – Increase – E5 – Funding Risk – Increase – E6 – Revenue Risk – Increase – I1 – Health and Safety Risk	– There will be a move to more responsible landlords who can prove that their buildings are efficiently and ethically run which will be monitored by our ESG Committee.
University Funding The level of funding, and how universities receive this, has changed significantly over the last 20 years. A number of universities are facing significant financial stress as a result of COVID-19 and there is a risk that a number of universities fall into administration. This would cause significant declines in student populations in the cities of the affected institution.	– Increase – E1 – Student Demand Risk – Increase – E3 – Property Market Risk – Increase – E5 – Funding Risk – Increase – E6 – Revenue Risk	– Reviewing our portfolio to ensure that we are aligned to cities with more than one university and which have strong financial backing.
Introduction of Regulation of the Student Accommodation Industry The COVID-19 pandemic has drawn attention to the vast range of level of service and corporate responsibility of providers within the student accommodation industry. The industry is one which varies from HMO owners operating a handful of beds up to providers who operate tens of thousands of beds. The support which providers and landlords provided to students in this pandemic has caused a lot of media attention and so there is a risk that regulation may be applied to the industry.	– Increase – E1 – Student Demand Risk – Increase – E3 – Property Market Risk – Increase – E4 – Regulatory Risk – Increase – E6 – Revenue Risk	– We act as a responsible owner of student accommodation which does the right thing. Further legislation within the market may have a positive impact for the Group as less scrupulous suppliers are forced out of the market.
Pandemic The COVID-19 pandemic is constantly evolving and there is a continued potential threat that new strains of the virus become more damaging. This could impact many areas such as travel, both international and domestic, or future lockdowns. There is also the potential risk of future pandemics from viruses which are as yet unknown.	– Increase – E1 – Student Demand Risk – Increase – E3 – Property Market Risk – Increase – E4 – Regulatory Risk – Increase – E5 – Funding Risk – Increase – E6 – Revenue Risk – Increase – I1 – Health and Safety Risk	– Reviewing our marketing strategy and offering so that we appeal to UK nationals alongside international students. – The COVID-19 pandemic has shown that the robust and detailed protocols we have in place within our business can manage any impact.

Board of Directors

			
	MARK PAIN	**DUNCAN GARROOD**	**LYNNE FENNAH**
	Non-Executive Chairman	*Chief Executive Officer*	*Chief Financial and Operating Officer*
Appointed	1 September 2018	28 September 2020	26 June 2017
Independent	Yes	No	No
Committee Memberships	$\boxed{N}$ R A $\boxed{E}$	E	E
Relevant Skills and Experience	– Chartered accountant – Strong financial, customer and shareholder focus – Extensive experience of executive and non-executive roles in the real estate, financial services and consumer/leisure sectors	– Strong operational, sales and marketing skills – Extensive experience of executive and roles in the consumer/leisure sectors – Significant expertise in the consumer and leisure sectors	– Chartered accountant – Significant senior experience in the real estate and hospitality sectors, covering key areas such as finance, operations, tax, regulatory compliance, HR and IT – Appointed COO in July 2018
Principal External Appointments	– Non-executive director – AXA Insurance UK – Chairman – London Square – Non-executive director – Close Brothers Group plc	– None	– Member – the Student Accommodation Committee of the British Property Federation – Non-executive Chairman – Home REIT plc
Significant Previous External Experience	– Group finance director – Abbey National plc – Group finance director – Barratt Developments plc – Non-executive director – Ladbroke Coral Group plc, Aviva Insurance Limited, Spirit Pub Group plc, Johnston Press plc, Northern Rock, LSL Property Services and Punch Taverns plc – Vice chairman and senior independent director – Yorkshire Building Society	– CEO Ten Entertainment Group Plc – CEO Bills Restaurants – CEO Punch Taverns plc – President M.H. Alshaya – Commercial Director BAA plc	– CFO – Palmer Capital Partners – European CFO – TOGA Group – Various senior roles including group financial and IT director of The Goodwood Estate Company Limited

Committees N Nomination A Audit R Remuneration E ESG $\boxed{}$ Chair

JIM PROWER

Senior Independent Non-Executive Director

28 May 2014

Yes

A R N E

- Chartered accountant
- Worked in the property sector since 1987
- In-depth knowledge of financial matters, particularly in relation to the real estate sector through role as finance director at the Argent Group, developer of King's Cross Central
- Experienced in raising debt and equity financing for investment, development and working capital

- Non-executive director and chairman of audit committee – Alternative Income REIT plc
- Non-executive director of The PRS REIT plc

- Finance director and company secretary at Argent Group, Minty plc, Creston Land & Estates plc and NOBO Group plc
- Senior independent director – Tritax Big Box REIT plc

ALICE AVIS

Non-Executive Director

1 March 2019

Yes

R N E

- Marketing, e-commerce, strategy and operational experience across the consumer goods and retail sectors
- Expertise ranges across both large FTSE 100 organisations as well as smaller, entrepreneurial businesses in the UK and internationally and in both executive and non-executive roles

- Non-executive director of BGF (the Business Growth Fund)
- Non-executive director of The Edrington Group Limited
- Non-executive director of Cyden Ltd

- Executive chairman of Lumene Oy
- CEO of The Sanctuary Spa Group
- Director of marketing and e-commerce at Marks and Spencer Group Plc
- Global brand director for Johnnie Walker at Diageo PLC

STUART BEEVOR

Non-Executive Director

1 January 2016

Yes

R A N E

- Chartered surveyor
- Over 35 years' real estate experience
- Strong leadership experience, as executive and non-executive director of a number of public and private entities

- Non-executive director – ICG Longbow Senior Secured UK Property Debt Investments Limited
- Chairman – Investment Advisory Board, Diversified Property Fund for Charities
- Member – Investment committees of two DTZ Investors Pension Fund clients
- Member – Greenwich Hospital Advisory Board
- Legal & General Group UK Senior Pension Scheme trustee director

- Managing director – Grosvenor Fund Management
- Managing director – Legal & General Property Limited
- Non-executive director and chairman of remuneration committee The Unite Group plc

Chairman's Introduction to Corporate Governance and Corporate Governance Statement

MARK PAIN
Non-Executive Chairman

> *We have a clear framework in place for the way in which the Board operates to ensure we are working for the benefit of our shareholders.*

Our Approach to Corporate Governance

In my role as Chairman I am responsible for leading the Board and ensuring that it maintains the highest standards of corporate governance whilst promoting long-term sustainable success. We have a clear framework in place for the way in which the Board operates to ensure we are working for the benefit of our shareholders, whilst taking into account all our other key stakeholders, in a legal, ethical and transparent manner.

Our approach to corporate governance is based upon the principles and provisions of the UK Corporate Governance Code (the "Code") published by the Financial Reporting Council ("FRC"). The current version of the Code was published in July 2018, for implementation from 1 January 2019.

The Company did not comply with Provision 24 of the Code as the Chairman of Board has been made a member of the Audit Committee due to his significant level of experience as a chartered accountant.

The following Corporate Governance Report sets out how the Company has applied the Code during the 2020 financial year.

Board leadership and Company Purpose
The Board

The Board's role is to promote the long-term success of the Company, generating value for shareholders and contributing to its key wider stakeholder groups. The Board leads and provides direction for the Executive Directors, by setting our Company objectives and overseeing the implementation of key operational policies throughout the business. The Executive Directors are responsible for managing our daily business activities and operations.

The Board delegates appropriate matters to its Committees and reviews their terms of reference at least every other year. The last review of the terms of reference took place in March 2020. Copies of these are available from the Company Secretary or the Company's website *www.empiric.co.uk*

Company Purpose and Culture

The Board defined the Company's purpose as set out on the inside front cover, ensuring it aligned with the Company's strategic objectives as set out on page 12 and the interests of the Company's key stakeholder groups.

The purpose, which is based around providing our customers with safe, inspiring homes where they are able to reach their full potential, helped the Board to define a clear culture and Company values as defined on page 38. The Board and Senior Leadership Team have promoted these values throughout the business, ensuring they are implemented throughout our operational processes effectively.

The Board regularly assesses how the purpose and values have been embedded into the Company culture through enquiries of the Senior Leadership Team, review of business performance and engagement with our people. The appointment of a new CEO will give the Board the opportunity to consider any recommended changes to enhance the culture of the business.

Engagement with Our Key Stakeholders

The new Code expects that the Board understands the views of the Company's key stakeholders and takes account of their interests in discussions and decision-making. In order to be a sustainable business, the Company is committed to being financially secure so our shareholders can rely on us for the long term. The Board's approach to corporate governance is also determined by, and takes account of, the interests of other key stakeholders, including customers, colleagues, and the communities in which we operate, as well as wider society.

As per Provision 5 of the Code, the Board has chosen to engage with our people through a formal workforce advisory panel – the Colleague Forum (as detailed on page 37 of the Strategic Report). Further details of the Board's engagement with the Colleague Forum can be found within the s.172 statement on page 40.

Managing Conflicts

The Board has a commitment to consider the interests of all key stakeholders to the business, ensuring it manages any conflicts effectively.

The key focus for the Board over the past few years has been on the interests of our shareholders. The Board, and senior management, have implemented various changes that have transformed the business to not only restore shareholder returns, but also place the business in a position where it is now able to grow sustainably and achieve our purpose.

In 2020, with the transformation largely complete and the business facing the impact of COVID-19, the Board has taken a more balanced view of all key stakeholder groups – specifically, our people and our customers. Clearly, it has been important to keep our people and customers safe and secure and, as a consequence, preserve shareholder value.

As the business develops and grows, the Board understands that the interests of the key stakeholder groups will change.

However, we will aim to regularly engage with the key stakeholder groups, ensuring they prioritise the interests of these groups in line with the business strategy.

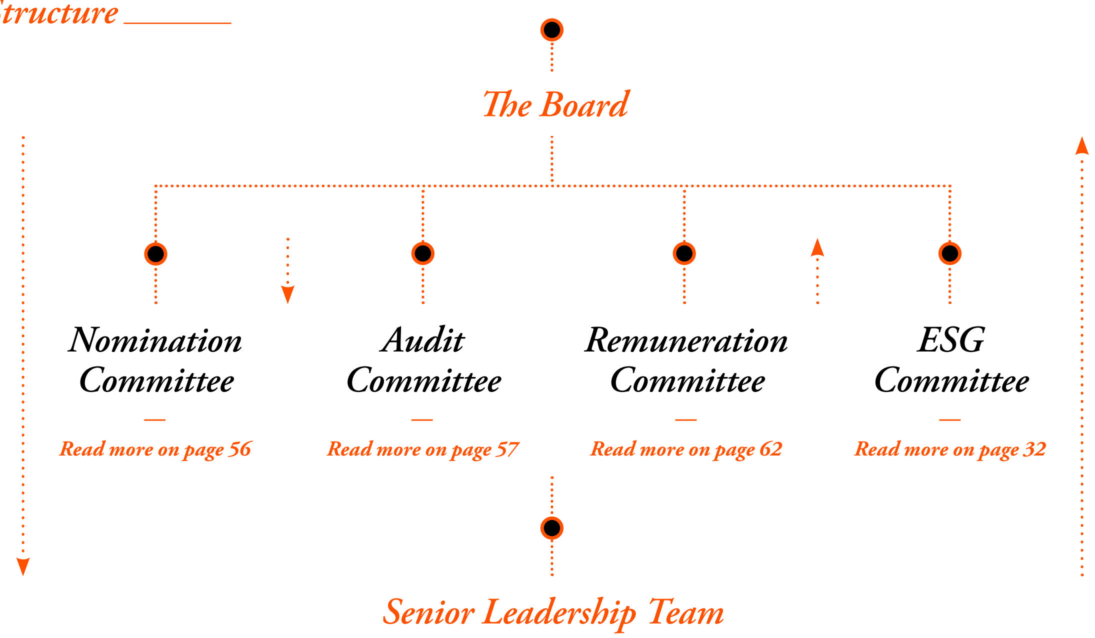
Significant progress has been made from engagement with our key stakeholders in 2020, despite the restrictions placed on us by COVID-19. The Board acknowledges that work remains to be done by the Group to respond to the feedback received and to successfully enhance the operational performance of the business. The Board will continue to prioritise the interests of our key stakeholders in its decision-making process, ensuring that all changes support the strategy and generate returns over the longer term.

The revised Code reflects the significant interest which has been shown in the need for effective corporate governance and is just one of several developments in legislation, regulation and guidance over the past few years. We are committed to ensuring we have the highest standards of corporate governance and during 2021 will continue to monitor all future developments, implementing changes to enhance our existing good practice if required.

Division of Responsibilities

At the year end, the Board consisted of two Executive Directors and four Non-Executive Directors, including the Chairman. Changes to the Board membership during the year are discussed in the Chairman's Statement on page 2 of the Strategic Report. Biographical information on each of the Directors is set out on pages 48 and 49.

Governance Structure



Corporate Governance continued

Board Roles

There is a clear division of responsibilities between the Chairman and Chief Executive. Their roles have been set out in writing and agreed by the Board. The primary responsibilities of the Directors are as follows:

Board Member	*Primary Responsibilities*
Chairman – Mark Pain	– Leading the Board and ensuring its effectiveness; – Reviewing the Company's general progress and long-term development; and – Ensuring the Company is meeting its responsibilities to all stakeholders.
CEO – Duncan Garrood	– Leading and developing the Company's profitable operation and development; – Overseeing all activities of the business and leading the sales, marketing and operations functions; – Ensuring the objectives are in line with operational activities; and – Creating shareholder value over the long term.
CFO and COO – Lynne Fennah	– Overseeing business operations; – Leading the finance, FM and IT functions; – Producing timely and accurate financial information and analysis; – Raising and managing debt; – Ensuring tax and regulatory compliance; and – Maintaining financial control.
Senior Independent Non-Executive Director – Jim Prower	– Acting as a sounding board for the Chairman and intermediary for the other Directors; and – Being available to shareholders to raise their concerns if they cannot be resolved through other channels.
Non-Executive Directors – Alice Avis, Stuart Beevor	– Providing constructive challenge; – Overseeing the Senior Leadership Team's progress on implementing strategy and meeting objectives; and – Monitoring the reporting of performance.

Director Independence

The Board reviews the independence of the Chairman and Non-Executive Directors on an annual basis. For the financial year ending 31 December 2020, all of the Non-Executive Directors, including the Chairman, are considered to be independent for the purposes of the Code.

Advice for Directors

The Directors have access to independent advice at the Company's expense, if they judge it necessary to discharge their responsibilities. All Directors have access to the advice and services of FIM Capital Limited, which acts as our Company Secretary.

Board and Committee Meetings

The Board holds regular formal, scheduled meetings and additional meetings as required. The agenda for each meeting is typically set by the Chairman, with assistance from the Executive Directors. This agenda, along with the Board papers, are sent to all Directors three working days before the meetings. Any decisions and actions arising from the meetings are implemented by the Executive Directors and monitored by the Company Secretary.

During the year, there were nine regular Board meetings and ten ad hoc meetings. The table below shows the Directors' attendance at Board meetings in 2020. The figures in brackets show the number of meetings each Director was eligible to attend:

Board and Committee Meetings

	Board Regular	*Ad Hoc*
Mark Pain	*9(9)*	*7 (10)**
Tim Attlee Resigned 30 June 2020	*4 (5)*	*5 (6)**
Duncan Garrood Appointed 28 September 2020	*3 (3)*	*0 (0)*
Lynne Fennah	*9(9)*	*10 (10)*
Jim Prower	*9(9)*	*5 (10)**
Stuart Beevor	*9(9)*	*5 (10)**
Alice Avis	*9(9)*	*5 (10)**

* ad hoc Board meetings were held to ratify and approve documentation for the Board-approved debt refinance.

Prior to each regular Board meeting, and subject to requirements, the Non-Executive Directors hold their own meeting to discuss matters they want to raise with the Executive Directors and any other relevant issues. The Non-Executive Directors also meet once without the Chairman to appraise his performance. This process is led by Jim Prower as the Senior Independent Director and considers the views of the Executive Directors.

Key Focus for 2021

- External review of Board performance
- Board succession planning
- Continuing investment in our employees
- Encourage and grow initiatives in stakeholder engagement and environmental sustainability

Board Activities

Strategic Topic	*Areas of Focus*
Customer Focus	– Ensuring the safety of our customers is the Group's key priority – Initiating a refund programme in April 2020, returning £6.5 million to students impacted by COVID-19
People	– Reorganising the operational staffing structure – 2020 colleague engagement survey – Decisions on remuneration in the context of COVID-19
Capital Efficiency	– Suspension of dividend in March 2020 in light of the COVID-19 pandemic – Refinancing and capital allocation to ensure liquidity and covenant headroom – Investor engagement
ESG	– Agreeing and designing the terms of reference for the new ESG Committee launched in January 2021 – Reviewing diversity and inclusion across our business

Board Agenda and Board Papers

The formal agenda for regular Board meetings includes:

- health and safety;
- a review of the performance of our property portfolio;
- an assessment of our progress with new investment opportunities (the detailed proposals are prepared by the Executive Directors and reviewed and approved by the Board, as appropriate);
- a review of our strategy;
- a review of our financial performance, forecasts and debt; an update on the student accommodation sector;
- an update on investor relations and shareholder analysis;
- a report on shareholder feedback;
- updates on regulatory, compliance or governance matters advised by the Company Secretary or other advisers; and
- a report on public relations and press commentary.

These agenda items are also included within a comprehensive set of Board papers ahead of each Board meeting.

Corporate Governance continued

Composition, Succession and Evaluation

Board Composition

The Board has a combination of property, operational, financial and marketing skills and a variety of knowledge and experience for it to scrutinise business performance and propose changes accordingly.

Each Board member's length of service is reviewed on an annual basis and membership refreshed in line with the Code.

Appointment of Directors

The Executive Directors have contracts with the Company which include, for the CEO, a six month notice period and for the CFO/COO a 12 month notice period and both contracts include restrictive covenants. The Non-Executive Directors have letters of appointment, which can be terminated in accordance with our Articles of Association and do not specify a notice period. The terms and conditions of appointment for the Non-Executive Directors are available for inspection at our registered office and at each Annual General Meeting ("AGM").

Directors who are appointed to the Board are required to be elected by shareholders at the next AGM. Duncan Garrood, our new CEO, is proposed for election to the Board at the AGM on 25 May 2021.

All appointments to the Board are subject to a formal, rigorous and transparent process. Further details can be found on page 56.

Board Induction and Training

Duncan Garrood received a thorough formal induction on his appointment as CEO. This included meeting members of the Board, SLT, operations and head office teams, visits to a number of the Group's sites and meetings with key advisers.

He also met the Company's five largest shareholders to understand their views on Empiric and its prospects. The Chairman designed the induction programme in conjunction with the Board.

The Chairman reviews and discusses each Director's individual training and development needs. The Board as a whole also receives briefings and training on relevant topics. Empiric also benefits from the Non-Executive Directors' membership of other boards. This gives them experience and training they can apply directly to our business. In addition, the Board receives regular publications on key topics from our advisers and other professional services firms.

Board Succession and Elections

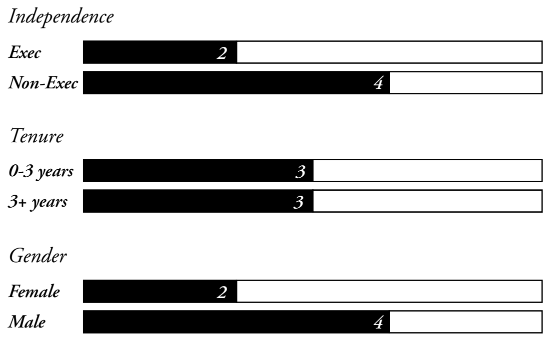
Board succession is reviewed at every Nominations Committee meeting. See page 56 for detail.

In line with leading practice, each Director will submit themselves annually for re-election at the AGM. Mark Pain, Lynne Fennah, Jim Prower, Stuart Beevor and Alice Avis will therefore stand for re-election at the AGM on 25 May 2021. Duncan Garrood will be submitted for election at the AGM as he was appointed during the year. The formal performance evaluation carried out in December 2020 confirmed that the performance of each of the Directors continues to be effective and that they demonstrate commitment to their roles.

Board Performance and Evaluation

In November 2020, the Chairman led an internal evaluation of the effectiveness of the Board and its Committees.

Board Diversity



The key topics covered in the evaluation included:

– Board composition including the mix of skills, experience, knowledge and diversity;
– succession planning for the Board and the Senior Leadership Team;
– roles and responsibilities of the Board as a whole, and each of the Committees;
– Board discussions, including risk management and stakeholder engagement, and a review of the decisions arising from these discussions;
– conduct of Board meetings and access to information by the Board;
– induction for new Board members, and training and support available to all Board members;
– Chairman's performance (led by Senior Independent Director); and
– effectiveness of all Committees.

The results of the evaluation were reviewed by the Chairman and reported to the Board in the December 2020 meeting.

The Board effectiveness review delivered a set of largely positive results with evidence of incremental improvements over the past year and concluded that the Board and its Committees continued to operate effectively throughout 2020. Nevertheless, a number of suggested enhancements are proposed for 2021, which include:

– The Board needs to develop a more comprehensive succession plan for the Executive Directors and Senior Leadership Team including an assessment of organisational talent.
– There is a requirement to refresh the organisation's vision and values, frame the target culture, lead and drive the organisation's vision, values and culture ensuring consistent leadership and behaviours through all levels of the organisation, and,
– With a new CEO in place, the Board needs to ensure that there is a clear strategy, aligned with the values and culture of the organisation.
– The Audit and Risk Committee needs to ensure that the Committee has an appropriate understanding, review, and approval of internal control work activity and that there is an embedded and fully functioning risk framework with appropriate risk appetites and limits.

These topics will be progressed at the Board and Audit and Risk Committee in 2021.

The Board effectiveness review delivered a set of largely positive results with evidence of incremental improvements over the past year.

Update on Actions Arising from the 2019 Board Evaluation

In December 2019, the Chairman conducted an internal evaluation of the effectiveness of the Board and its Committees. The table below outlines the improvement areas identified in this evaluation, and the progress made on these during 2020.

Key Finding	*Actions Taken*
The Audit and Risk Committee to better understand, review and approve internal control work and the results of internal control activity	– During the year the Audit Committee reviewed the internal controls of the Group, through a paper tabled at the Committee. The Committee did not find any control deficiencies. – Due to the inboarding of the revenue management system happening over the next year, the Audit Committee will review closely the new processes and controls required around this key function.
The Audit and Risk Committee to increase focus on embedding the risk management framework	– During 2020 the operational resilience of the business was fully tested as a result of the impact of COVID-19. Our field-based teams kept all of our properties open and provided a safe, secure environment for our customers and colleagues. Our office-based colleagues were able to work from home. – Nevertheless, we still have work to do to evolve the risk framework, set risk appetite and monitor.
Development of a more comprehensive succession plan for Executive and Non-Executive Directors.	– Non-Executive Director succession plan agreed at the Nominations Committee. – Progress made on Executive succession with the recruitment of a new CEO and a new Head of Property with a largely complete and performing Senior Leadership Team and an invigorated Hello Student® resourcing plan. – Develop a comprehensive Executive succession plan and organisational talent by May 2021.

Audit, Risk and Internal Control

Internal Controls and Risk Management

The Board is responsible for maintaining the Company's systems of internal controls and risk management, in order to safeguard the Company's assets. These processes are designed to identify, manage and mitigate both the key principal risks and emerging risks inherent to the business. The system is also 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. Please refer to pages 42 to 46 for more information on our principal risks and uncertainties.

The Board regularly monitors the Company's risk management and internal control systems which have been in place for the year under review and up to the date of approval of the Annual Report and Accounts, including receiving reports from the external auditor. The Board also conducts a formal risk assessment (for both principal and emerging risks) on an annual basis.

Our non-financial internal controls include the systems of operational and compliance controls maintained by our finance team. We also have our Company Secretary which has its own systems of internal controls in relation to these matters, details of which the Board reviewed in our Financial Position and Prospects Procedures memorandum.

The Board does not consider, given the current size and centralised control of the business, that a full-time internal audit function is required. Please refer to page 57 of the Audit Committee Report for more information.

Going Concern

The financial position of the Company and Group, its cash flows, liquidity position and borrowing facilities are described in the Operational and Financial Review on pages 28 to 31. Detailed forecasts have been prepared and the Directors have considered the future cash requirements of the Group and concluded that they have sufficient capacity to meet all their commitments. A full summary of equity and debt financing are detailed on page 31.

As such, the Directors believe that the Company and Group are well placed to manage their 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.

Compliance Statements

The Directors confirm that to the best of our knowledge:

– The Group is well placed to manage its financing and other business risks. The Board is therefore of the opinion that it is appropriate to adopt the going concern basis of accounting in preparing the Annual Report and Accounts (see page 43 for more information).

– The Strategic Report, which the Board has approved, includes a review of the performance of the Group taken as a whole, together with a description of the principal risks and the uncertainties it faces.

– 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 and continue to operate and meet its liabilities as they fall due, over the period to 31 December 2023. Further details are set out in the Viability Statement on page 43, and in the Principal Risks and Uncertainties section on pages 42 to 46.

– The Company has a continuing process for identifying, evaluating and managing the risks it faces. Further details are set out on page 42.

– The Directors have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The principal risks, and the procedures for managing or mitigating them, are set out on pages 42 to 46.

– The Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. See page 73 for more information.

Approval of the Strategic Report

The Strategic Report for the year ended 31 December 2020 has been approved by the Board and was signed off on its behalf by:

Mark Pain
Non-Executive Chairman | 16 March 2021

Nomination Committee Report

MARK PAIN
Nomination Committee Chairman

During the year, the Committee oversaw the appointment of a new CEO and a new Head of Property. It also oversaw a review of Non-Executive Director succession.

Committee membership and meetings

	Meetings
Mark Pain	*4 (4)*
Jim Prower	*4 (4)*
Stuart Beevor	*4 (4)*
Alice Avis	*4 (4)*

Meetings and Activities

The Nomination Committee met four times during the year. The main issues the Committee discussed were:

– The resignation of Tim Atlee
– The appointment of Duncan Garrood as CEO and Will Atkinson as Head of Property
– Succession planning for the Board and Senior Leadership Team.

Appointment of a new CEO and Head of Property

Following the resignation of Tim Atlee as CEO on 17 March 2020, the Board, led by the Chairman with the full support of the Nominations Committee, commenced a process for finding a successor. The Board put together a detailed role specification. Following a competitive tender process and meetings with four leading search firms, Redgrave Partners were appointed to lead the search process. Redgrave has no connection with the Group, other than providing this type of service. Having conducted a market-wide search across a range of industry sectors, a long list was generated, and following review by the Chairman and the Nominations Committee, a total of 13 candidates were initially interviewed.

A short list of six candidates was taken through for formal assessment which included interviews with all Board members. Two candidates were taken through for further interview, psychometric testing and independent referencing. The Board unanimously agreed to the appointment of Duncan Garrood, who was appointed with effect from 28 September 2020.

Duncan completed a thorough induction process which included meeting all of the Company's professional advisers, the Senior Leadership Team, and Board members. In addition, Duncan has spent a considerable amount of time visiting a large number of the Group's properties. Details of Duncan's previous external experience and external appointments can be found on page 48.

The Nominations Committee also commenced the search for a new Head of Property. It followed much the same process as the search for the CEO. The Board put together a detailed role specification. Redgrave Partners were appointed to lead the search process given their knowledge of the business gathered from the CEO search and their expertise in recruiting property professionals. Redgrave conducted a market-wide search across a range of industry sectors, and generated a long list. A total of six candidates were initially interviewed.

A short list of two candidates was taken through for formal assessment and interviews with the incoming CEO and Lynne Fennah the CFO/COO. Will Atkinson joined the Company on 28 September 2020. Will has completed a thorough induction process which included meeting relevant professional advisers, the Senior Leadership Team, and Board members. In addition, Will, has visited the majority of the Company's properties.

Succession Planning

The Committee is responsible for reviewing the succession plans for the Board. The succession plans for the Executive Directors are prepared on a short and long-term basis, while the Non-Executive Director's succession planning mirrors the breadth of skills and experience the current Board holds.

Due to the importance of the succession planning to the business, the matter was discussed at a full Board meeting in December 2020, with further actions to be implemented.

The Committee will continue to review this in 2021.

Independence and Re-election

All Directors are subject to annual re-election at the AGM, and the Board will recommend reappointment as part of the AGM notice. Prior to recommending the reappointment of any Director to the Board, the Committee assesses their continued independence, the time commitment required and whether the reappointment would be in the best interests of the Group. Following the review, the Committee is recommending the reappointment of all Directors.

Biographies for each Director can be found on pages 48 to 49.

Board Diversity

The Committee, Board and Group recognise the benefits of diversity in its broadest sense, including gender, ethnicity, age and educational and professional background. Diversity is key, both when searching for Board appointments and when the Group is searching for other appointments. However, we do not believe it is in the interests of the Group and its shareholders to set prescriptive targets for diversity on the Board. Where vacancies arise, we consider diversity but, ultimately, we look to appoint the best candidate for the role. During 2020 female Directors made up one third of the Board, in line with the voluntary target set by the Hampton-Alexander Review.

More information about gender diversity in the Group as a whole can be found on page 54.

Mark Pain
Nomination Committee Chairman | 16 March 2021

Audit Committee Report

JIM PROWER
Audit Committee Chairman

The Committee met three times during the year and continued to implement its regular agenda.

Committee Membership and Meetings

	Meetings
Mark Pain	3 (3)
Jim Prower	3 (3)
Stuart Beevor	3 (3)

Role and Responsibilities of the Audit Committee

– Review the work of the external auditor and valuers and the significant financial judgements made by management.
– Monitoring the integrity of the Company's financial statements and any formal announcements relating to financial performance, and considering significant financial reporting issues, judgements and estimates.
– Review the integrity of the full and half year financial statements, including consideration of material estimates and areas of judgement exercised in their preparation.
– Advise the Board on various statements made in the Annual Report, including those on viability, going concern, risk and controls and whether, when read as a whole, the Annual Report is fair, balanced and understandable and provides the information necessary for shareholders to assess performance, the business model and strategy.
– Oversight and remuneration of the external auditor, assessing effectiveness and making recommendations to the Board on the appointment of, and the policy for non-audit services provided by, the external auditor.
– Review the risk management framework and ensure that risks are carefully identified and assessed, and that systems of risk management and internal control are in place and effective.
– Consider the need for an internal audit function.
– Review the whistleblowing arrangements.

The Audit Committee's terms of reference are on Empiric's website at: ***https://www.empiric.co.uk/investor-information/company-documents***

Meetings and Activities

The Audit Committee met three times during the year, coinciding with key events in the annual financial reporting cycle. All the Committee members attended these meetings, as well as the CEO, the Chief Financial and Operating Officer and representatives of our external auditor BDO LLP ("BDO"), our external valuer CBRE and the Company's Administrator, FIM Capital Limited. The Audit Committee also met with the auditor without any representative of the Executive Team present.

External Auditor and other Services

BDO have been our auditor since 2014 and during the year we reviewed BDO's appointment as the Group's external auditor. Following this review, we decided to retain BDO and have therefore recommended a resolution for BDO's reappointment to be proposed to shareholders at the AGM.

We considered BDO's compensation, performance and independence during the year. The Committee met with key members of the audit team, including the lead audit engagement partners and BDO has formally confirmed its independence, as part of the annual reporting process. The Committee regularly liaises with the lead audit partner to discuss any issues arising from the audit, as well as its cost-effectiveness.

The Committee recognises the importance of auditor objectivity and has developed the Company's policy on engaging the external auditor to supply non-audit services, by considering the Financial Reporting Council's Ethical Standard Number Five (revised 2019). This relates to non-audit services provided to audited entities and sets out the six principal threats to objectivity and independence. Our aim is to ensure that providing such services does not impair the auditor's independence and objectivity.

We keep the policy and its application under constant review, particularly at the time of new engagements, to make sure that audit independence and objectivity is not impaired. During the year, BDO did not provide any non-audit services to the Group outside of the interim report.

KPMG LLP continue to support us as provider of tax compliance and advisory services to the Group.

Internal Audit

The Audit Committee has reviewed whether the Group needs an internal audit function. The Committee has again concluded that an internal audit function is unnecessary due to the Group's size and structure and the nature of its activities. The Group does not hold, for example, large quantities of cash or stock, and the risks we face are readily apparent and do not need an internal audit function to identify them.

The Audit Committee reviews the effectiveness of the internal controls through receiving reports by the Group Financial Controller on the internal controls in place within the Group. No significant weaknesses were identified through the course of the Audit Committee's reviews which gave the Committee comfort over the veracity of the controls in place.

Audit Committee Report continued

External Valuers

The Committee monitored the objectivity and independence of CBRE during the year. The valuers have confirmed that they are appropriately qualified to carry out the valuations and that fees received are not a material part of their overall fee income. Furthermore, the lead partner and signatory on the valuation have changed in the year. The Committee remains satisfied that the valuers are objective and independent.

Whistleblowing

The Committee is responsible for reviewing the arrangements by which staff can raise concerns, in confidence, about any possible improprieties relating to financial reporting or other matters. During the year we have reviewed our Whistleblowing Policy and ensured it has been widely published throughout the Group. Our view is that the Group has suitable arrangements for proportionately and independently investigating 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 71 and 72.

Financial Reporting and Significant Judgement

The 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, we consider whether management has made suitable and appropriate estimates and judgements and seek support from the external auditor to assess them.

The significant issues considered by the Committee in relation to the financial statements during the year ended 31 December 2020, and the actions taken to address these issues, are set out in the following table:

Significant issues considered	*How these issues were addressed*
Going Concern and Viability Statement The appropriateness of preparing the Group financial statements on a going concern basis. Whether the assessment undertaken by management regarding the Group's long-term viability appropriately reflects the prospects of the Group and covers an appropriate period of time.	– The Committee considered whether management's assessment adequately reflected the Group's low risk appetite and principal risks as disclosed on pages 42 to 46; whether the three-year period covered by the statement was reasonable given the strategy of the Group and the current environment in which the business operates in. – The Committee also reviewed whether the assumptions and sensitivities stress tested were adequate and whether the stress testing represented severe enough scenarios. – The Committee concurred with management's assessment and recommended the viability statement to the Board. The viability statement, together with details on the assessment undertaken and stress tests applied, is set out on page 43.
Valuation of Property Portfolio The valuation of investment and development properties conducted by external valuers is inherently subjective as it is undertaken on the basis of assumptions made by the valuers which may not prove to be accurate. The outcome of the valuation is significant to the Group in terms of investment decisions and results.	– CBRE independently values the individual properties in accordance with IAS 40: Investment Property. The Committee has reviewed the assumptions in respect of the property valuations, discussed and challenged them with management and our external valuers CBRE, and concluded that the valuation is appropriate. – Separately, our auditor has met with CBRE to challenge and independently audit their valuation.
COVID-19 The impact of COVID-19 on the assessment of the Group's principal risks and uncertainties, risk appetite and viability statement.	– A detailed analysis of the impacts of COVID-19 on the Group's principal risks and uncertainties is detailed on pages 42 to 46.

Conclusions in respect of the Company's Annual report

The production and the audit of the Annual Report is a comprehensive process, requiring input from several different contributors. To reach a conclusion on whether the Annual Report taken as a whole is fair, balanced and understandable, as required by the Code, the Board has requested that the Audit Committee advises on whether it considers that the Annual Report fulfils these requirements.

In outlining our advice, we considered the following:

– the controls in place for the production of the Annual Report, including the verification processes to confirm the factual content; and

– the detailed reviews undertaken at various stages of the production process by the Executive Directors, Company Secretary, legal adviser, auditor and the Audit Committee, which are intended to ensure consistency and overall balance.

As a result of this work, the Committee has concluded and reported to the Board that the Annual Report for the year ended 31 December 2020, 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 Directors' Responsibilities Statement on page 73.

Jim Prower
Audit Committee Chairman | 16 March 2021

Statement from the Chairman of the Remuneration Committee

STUART BEEVOR

Remuneration Committee Chairman

Our CEO succession, culminating in the appointment of Duncan Garrood, and proactively managing the consequences of COVID-19, dominated our activity in 2020. The Remuneration Committee continues to focus on aligning executive rewards with shareholders' best interests; and the remuneration and benefits of the Company's wider workforce.

Committee Membership and Meetings

	Meetings
Stuart Beevor	*6 (6)*
Mark Pain	*6 (6)*
Jim Prower	*5 (6)*
Alice Avis	*6 (6)*

Activities

- Alignment with the Company's strategy and shareholders' interests
- The impact of COVID-19
- Remuneration for new CEO
- Exit terms for outgoing CEO
- Reward decisions
- Workplace engagement
- Remuneration and benefits of wider workforce including gender pay and pensions
- CEO pay ratio and internal proportionality

Business Context

Empiric entered 2020 with positive momentum following two years of successful operational turnaround. This has involved significant restructuring and in-housing of operations to reduce costs and improve efficiency. This was critical in differentiating our customer offer through Hello Student® and delivering our "homes not halls" service-led proposition. We were confident that 2020 would see the delivery of continued improvements in operating margin and a substantially covered dividend.

COVID-19 materially impacted our occupancy resulting in the suspension of dividend payments and an intense period of managing operations and costs. However, by offering customer refunds and the huge commitment of all our colleagues to proactively ensure all our buildings are safe, we believe the challenges have reinforced our Hello Student® brand and Empiric's culture and values.

The Remuneration Committee is extremely mindful of the hard work of our colleagues in putting our customers first, which will prove crucial to the Company's future success. Whilst we have taken difficult decisions during this period, we are clear that remuneration needs to motivate and reward continued hard work and commitment; and that openness and transparency are important elements of our culture and values.

Approximately 100 staff were placed on short-term furlough during the first lockdown in spring 2020, which was funded directly by the Company. No government support was sought or received.

Workplace Engagement

Our staff play a central role in offering great service to our customers delivered through the successful internalisation of operations.

The Colleague Forum is a formal workforce advisory panel consisting of 12 employee representatives across the Group. It met ten times in 2020 and is supported by Alice Avis, a member of the Board and Remuneration Committee.

We also undertook two colleague engagement surveys in 2020 with the output showing positive results (for further information see page 15, Developing our People).

Remuneration Policy

The Remuneration Policy was approved by shareholders at the AGM in May 2020 and will be next fully reviewed in 2023.

Our current Policy remains compliant with key remuneration requirements of the UK Corporate Governance Code including discretion for Committee override of formulaic outcomes from incentive plans, a minimum five-year release period for LTIP awards, alignment of pension provision for new Executive Directors with the rate available to the majority of the workforce and a post-employment shareholding requirement.

A summary of our Remuneration Policy is set out on pages 62 to 64.

Appointment of New Chief Executive Officer

The CEO succession was a pivotal event in 2020 and the Company was, following a competitive selection process, pleased to announce the appointment of Duncan Garrood with effect from 28 September 2020. His salary of £400,000, will be next reviewed with effect from 1 January 2022 and he will participate in the annual bonus and LTIP schemes in 2021 on a consistent basis with the CFO/COO. Duncan's pension provision has been set at 7.5% of salary in alignment with the level available to the majority of the workforce. Following his appointment, Duncan received a 2020 LTIP award over 400,000 shares which the Remuneration Committee decided was an appropriate award level having taken into account various factors including the share price at grant and his non-eligibility for any 2020 annual bonus. The vesting of the LTIP award is subject to two performance measures each being 50% of the award. Firstly, Total Accounting Return ("TAR") relative to threshold and maximum targets for the period 1 July 2020 to 30 June 2023, with TAR being the combined Net Asset Value growth and dividends. 25% of the award will vest for meeting a threshold TAR target of 6% pa. increasing to 100% vesting for meeting a maximum target of 10% pa. Secondly, Total Shareholder Return (TSR) relative to the FTSE All Share Real Estate Companies peer group, with 25% of the award for median performance and 100% for 75th percentile performance (straight line between) for the period 1 October 2020 to 30 September 2023.

There were no buy-out costs associated with this appointment.

Exit Terms for Outgoing CEO

Following announcement of his intention to step down, Tim Attlee's 12-month contractual notice period began on 18 March 2020 and his employment as Chief Executive Officer terminated on 30 June 2020. The full terms of Tim's exit remuneration arrangements are set out on page 68.

Other Reward Decisions

During Q3 2020, the Company was between Chief Executive Officers and, as a consequence, Lynne Fennah assumed significant additional responsibilities and extra workload during this period further to her standard CFO/COO role. In recognition of her enhanced role, the Remuneration Committee temporarily increased Lynne's salary during Q3 by means of an acting-up allowance of £20,000. This allowance, which ceased on the appointment of Duncan Garrood, was not included in salary for purposes of calculating pension, bonus or LTIP.

Lynne was granted an LTIP award in April 2020 over shares worth in aggregate 150% of her 2020 salary.

Lynne's salary was considered for review with effect from 1 January 2021, however due to the impact of COVID-19, no increase was considered appropriate.

Due to the impact of COVID-19 on the Company the Remuneration Committee, in conjunction with the Executive Directors, exercised discretion and decided that no bonus payments would be made to Executive Directors, or any other employee, in respect of 2020. The LTIP awards granted in December 2017 and May 2018, and the 2017 Value Delivery Plan award all lapsed or will lapse in full.

The Executive bonus plan arrangements for 2021 follow the same structure as 2020, with three equally weighted objectives, which for 2021 are revenue, costs and specific individual objectives.

Both Executive Directors will receive LTIP awards in 2021 over shares worth 150% of salary with the number of shares determined by the average share price in the 12 months preceding grant. The vesting of the LTIP award is subject to two performance measures each being 50% of the award for the period 1 January 2021 to 31 December 2023. Firstly, TAR relative to threshold and maximum targets, with TAR being the combined Net Asset Value growth and dividends. 25% of the award will vest for meeting a threshold TAR target of 6% pa. increasing to 100% vesting for meeting a maximum target of 10% pa. Secondly, TSR relative to the FTSE All Share Real Estate Companies peer group, with 25% of the award vesting for median performance and 100% for 75th percentile performance (straight line between).

Gender Pay

The Group believes in creating a diverse and gender balanced workforce which reflects the customers and communities we serve and we provide training and support that ensures our colleagues can deliver their best at work. This is the second year where we are required to report upon the gender pay gap within our subsidiary, Hello Student® Management Limited. The fact that we placed some of our people on furlough (while not claiming government funds) has affected the results slightly. Our analysis based on data available on 5 April 2020 shows that the mean gender pay gap is 6.04% (with females paid more than males) and the mean gender bonus gap is -35.03% (females paid higher bonuses than males). Note the reporting period is for the year to April 2020 and the fact that no bonuses were paid in 2020 will impact next year's gender pay reporting. This reflects a greater proportion of females than males who were in roles eligible for and subsequently awarded a bonus payment. We are committed to minimising any gender pay and bonus gaps, to providing fair and competitive pay and benefits as well as continuously improving the experience of all colleagues in respect of equality, diversity and inclusion. Full details with a supporting narrative are published on Hello Student® website, www.hellostudent.co.uk, in accordance with the reporting required under the UK Equality Act 2010 (Gender Pay Gap Information) Regulations Act 2017.

CEO Pay Ratio and Internal Proportionality

Under the requirements introduced by The Companies (Miscellaneous Reporting) Regulations 2018 we have calculated the CEO to employee pay ratio for the Group.

Using the methodology, the CEO pay ratio when compared against the median employee is 23:1; full details are set out on page 69. The Remuneration Committee believes in reward packages that are externally competitive and internally proportionate, meaning the CEO is the employee with the highest proportion of variable pay as he has the highest level of responsibility.

The Remuneration Committee considered remuneration throughout the Company and, with support from the Board, it was decided that no employee will be paid less than the Living Wage with effect from 1 January 2021, employees in bands 3 and 4 (the Company has six bands with senior managers in band 6) will receive 7.5% pension contribution and that the Senior Leadership Team (the level immediately below the Executive comprising six members) will be awarded an LTIP in 2021, subject to the same performance conditions as Executive**.**

Subject to AGM approval we are planning to launch a save as you earn share scheme in 2021 to allow our people the opportunity to buy into the success of our Company.

Strategic and Shareholder Alignment

In setting Executive remuneration in 2021, the Committee has continued to seek alignment with Empiric's strategic priorities and shareholder interests. In particular:

– Annual bonus performance measures continue to be focused on objectives critical to delivering the improvement in corporate performance (optimising income and managing costs carefully to deliver profit to reinstate the dividend as soon as feasible) and individual executive specific strategic measures.
– Executives are aligned with the principle of shareholder value creation through participation in long-term incentive plans that reward growth in NAV plus dividends and relative shareholder returns.
– The Directors are required to build up and retain significant holdings of Empiric shares equivalent to 200% of salary which directly align them with other shareholders.

Full details of how the Remuneration Policy will be applied during 2021, as well as how Directors were paid in 2020, are set out on pages 65 to 67. There will be an advisory shareholder vote on this section of the Remuneration Report at our 2021 AGM.

As always, we greatly value engagement with our shareholders and the constructive feedback we receive and look forward to your support at the forthcoming AGM.

Stuart Beevor
Remuneration Committee Chairman | 16 March 2021

Remuneration Committee Report

Our Directors' Remuneration Policy was approved by shareholders at the Annual General Meeting held on 7 May 2020 and came into effect immediately thereafter.

Summary of Policy Report

There is no shareholder vote on the Policy at the 2021 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 Notice of Annual General Meeting issued on 27 March 2020 which is on our website at www.empiric.co.uk/investor-information and in the 2019 Annual Report pages 52-58.

Policy Table for Executive Directors

Fixed pay

Component	*Purpose and link to strategy*	*Operation*	*Maximum*	*Performance framework*
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.	Fixed cash paid monthly generally reviewed annually. The review takes into consideration a number of factors, including but not limited to: – the individual Director's role, experience and performance; – business performance; – relevant data on remuneration levels paid for comparable roles; and – pay and conditions elsewhere in the Company.	To avoid setting the expectations of Executive Directors and other employees, there is no overall maximum salary for Executive Directors under the Remuneration Policy. Any increase in salaries will be determined by the Remuneration Committee, taking into account the factors stated in this table and the following principles: – 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: – 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.

Component	*Purpose and link to strategy*	*Operation*	*Maximum*	*Performance framework*
Benefits	To provide market-competitive benefits.	Benefits are role specific and take into account local market practice. Benefits currently include (but are not limited to) reimbursed travel expenses, medical insurance, disability and life insurance and a car allowance.	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.	The Company either contributes to the Directors' personal pension arrangements or direct to their pension plans. Alternatively, Directors may receive a cash allowance in lieu of pension.	Current Executive Directors receive a contribution of up to 15% of base salary to a pension plan and/or as a cash allowance in lieu of pension. The level of pension provision for any future Executive Director appointment will be limited to that offered to the majority of the workforce.	None.

Variable Remuneration

Component	*Purpose and link to strategy*	*Operation*	*Maximum*	*Performance framework*
Annual and deferred annual bonus	To link reward to the achievement of key business objectives for the year. To provide additional alignment with shareholders' interests through the operation of bonus deferral.	The Executive Directors are participants in the annual bonus plan which is reviewed annually to ensure bonus opportunity, performance measures and targets and objectives are appropriate and support the business strategy. The 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. 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. Dividend equivalents will be paid usually in additional shares when the deferred shares are released.	The maximum annual bonus opportunity is 150% of base salary per annum. Each year the Remuneration Committee will determine the maximum annual bonus opportunity for each individual Executive Director within this limit.	The bonus is based on performance assessed over one year using appropriate financial, strategic and personal performance measures. The selected measures for the next financial year will be set out in the Remuneration section of the Annual Report for that year.

Component	*Purpose and link to strategy*	*Operation*	*Maximum*	*Performance framework*
LTIP	To link reward for the Executive Directors to the achievement of long-term performance objectives of the Company which are aligned to the strategic goals and to retain executives.	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. Vesting of the award is dependent on the achievement of performance targets, typically measured over a three-year period. Vested awards (relating to awards granted from 2019 onwards) will be subject to an additional two-year holding period. Dividend equivalents will be paid usually in additional shares when the LTIP awards are released.	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.	Vesting of LTIP awards is dependent on the achievement of performance measures determined by the Committee ahead of each award. These details will be disclosed in the Annual Report on Remuneration section of the Remuneration Report. Performance will usually be measured over a three-year performance period. For achieving a "threshold" level of performance against a performance measure, no more than 25% of the award will vest. Vesting then increases on a sliding scale to 100% for achieving a stretching maximum performance target.

Value Delivery Plan (VDP)

Removed from Policy. No further VDP awards will be granted

Remuneration Committee Report continued

Component	*Purpose and link to strategy*	*Operation*	*Maximum*	*Performance framework*
Employee Share Option Plan; Executive Directors will only be granted share options under the ESOP in exceptional circumstances	To reward employees for the delivery of long-term shareholder value.	The ESOP permits the grant of share options with an exercise price of not less than the market value of a share (as determined by the Committee) at the time of grant. Options will usually be exercisable between three and ten years following the grant.		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.		
Shareholding guideline	To align interests of executives and shareholders.	The standard guideline is that Executive Directors are expected to build up and retain a shareholding worth at least 200% of salary. Directors are required to maintain their shareholding in accordance with this guideline for two years post employment. (Unless the Committee considers a lower limit to be appropriate in a particular participant's circumstances.)		

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.	The Chairman of the Board receives an all-inclusive fee. Non-Executive Directors receive a basic Board fee. Additional fees may be payable for additional Board responsibilities such as acting as the Senior Independent Director, chairmanship or membership of a Board Committee. The Remuneration Committee reviews the fees paid to the Chairman and the Board reviews the fees paid to the Non-Executive Directors periodically. Additional fees may be paid to Non-Executive Directors on a per diem basis to reflect increased time commitment in certain limited circumstances. 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. Non-Executive Directors may be provided with benefits to enable them to undertake their duties.	Fees are set at an appropriate level that is market competitive and reflective of the responsibilities and time commitment associated with specific roles. The total aggregate fees payable to the Chairman and Non-Executive Directors will not exceed the limit stated in the Company's Articles of Association.

Annual Report on Remuneration

The Annual Report on Remuneration will be subject to an advisory shareholder vote at the 2021 Annual General Meeting.

Implementation of the Remuneration Policy in 2021

This section provides an overview of how the Committee is proposing to implement the Remuneration Policy during 2021.

Base Salary

As discussed in the Remuneration Committee Chairman's statement, the new Chief Executive Officer's salary of £400,000 was determined from date of joining on 28 September 2020 and will be reviewed on 1 January 2022. Lynne Fennah's salary was £316,200 effective from 1 January 2020. In view of the financial impact of COVID-19 on the Company, executive salaries will remain unchanged in 2021. The prior and current salaries are set out below.

Executive Director	*Prior salary*	*Current salary*
Duncan Garrood	£400,000 fixed 28 September 2020	£400,000 with effect from 1 January 2021
Lynne Fennah	£316,200 fixed 1 January 2020	£316,200 with effect from 1 January 2021

Pension and Benefits

Executive Directors will be provided with a standard benefits package including pension provision (CEO 7.5% and CFO/COO 15%), medical insurance, life insurance, and car allowance (£15,000 for CEO and £10,000 for CFO/COO).

Annual and Deferred Annual Bonus

The maximum payout under the annual bonus scheme is unchanged at 110% of salary, with at least 40% of any bonus satisfied by the issue of nil-cost options, which will be deferred for three years.

The annual bonus will be determined by three equally weighted performance measures:

– Total Revenue (one third of bonus)
– Total Costs (one third of bonus)
– Director-specific objectives (one third of bonus)

The Remuneration Committee considers that these three performance objectives are the most appropriate for 2021 as the Company continues to manage the consequences of COVID-19. Notwithstanding the formulaic outcome against these measures, the Remuneration Committee will carefully consider overall business performance at the year-end and determine whether it should exercise discretion. In particular, the Committee will take into account the net income achieved by deducting total costs from total revenue which will determine the ability of the Company to pay dividends.

Duncan Garrood's individual specific objectives are: the completion and appropriate implementation of a Board approved 2021-23 strategic plan, including the delivery of the 2021 elements of the Portfolio Segmentation Plan, particularly asset disposals, and the evolution of the Hello Student® Brand Proposition; optimising the Hello Hub operating platform including the implementation of a new revenue optimisation programme, and tangible customer service improvements; to develop workplace engagement and culture, to bring an improved performance on customer service, internal talent development and ESG traction.

Lynne Fennah individual specific objectives are: the completion and appropriate implementation of a Board approved 2021-23 strategic plan, including a forensic review of the cost base; to provide oversight across all business processes, to ensure alignment with the business strategy, efficiency, cost minimisation and regulatory compliance; to develop and execute a Board approved ESG strategy, including a stakeholder engagement and communication plan.

The targets for these measures will be disclosed, and performance against them will be provided, in the next Remuneration Report. Any bonus payout will be subject to the Remuneration Committee confirming that, in its assessment, the financial outturns which determined the bonus were achieved within an acceptable risk profile. 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

Duncan Garrood and Lynne Fennah will be awarded an LTIP for 2021 equivalent to 150% of salary, with the number of shares determined by the average share price in the 12 months preceding grant. The vesting of the LTIP award is subject to two performance measures each being 50% of the award. Firstly, Total Accounting Return ("TAR") relative to threshold and maximum targets for the period 1 January 2021 to 31 December 2023, with TAR being the combined Net Asset Value growth and dividends. 25% of the award will vest for meeting a threshold TAR target of 6% pa, increasing to 100% vesting for meeting a maximum target of 10% pa. Secondly, Total Shareholder Return (TSR) relative to the FTSE All Share Real Estate Companies peer group, with 25% of the award for median performance and 100% for 75th percentile performance (straight line between) for the period 1 January 2021 to 31 December 2023.

Any LTIP vesting will be subject to the Remuneration Committee confirming that, in its assessment, the vesting outturn was achieved within an acceptable risk profile. The Committee has discretion to override formulaic outcomes.

Malus and clawback may be applied to LTIP awards up to five years from the date of award in line with the UK Corporate Governance Code. Vested awards will be subject to an additional two-year holding period.

Non-Executive Director Remuneration

The unchanged fee structure applying from 1 January 2021 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 (£)
Base 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	£115,000

Annual Report on Remuneration continued

Remuneration Outcomes in 2020

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 31 December 2020 alongside the equivalent data for the previous year.

	Year ended 31 December 2020							
	Salary and fees (£)	Benefits (£)	Pension (£)	Total Fixed (£)	Annual bonus (£)	Long-term incentives (£)	Total Variable (£)	Total (£)
Executive Directors								
Tim Attlee[1]	204,000	12,784	30,600	247,384	–	–	–	247,384
Duncan Garrood[2]	101,538	4,504	7,615	113,657	–	–	–	113,657
Lynne Fennah	336,200[3]	13,933	47,430	397,563	–	–	–	397,563
Non-Executive Directors								
Mark Pain	115,000	–	–	115,000	–	–	–	115,000
Jim Prower	52,500	–	–	52,500	–	–	–	52,500
Stuart Beevor	48,000	–	–	48,000	–	–	–	48,000
Alice Avis[4]	40,000	–	–	40,000	–	–	–	40,000

	Year ended 31 December 2019							
	Salary and fees (£)	Benefits (£)	Pension (£)	Total Fixed (£)	Annual bonus (£)	Long-term incentives (£)	Total Variable (£)	Total (£)
Executive Directors								
Tim Attlee[1]	400,000	25,018	60,000	485,018	185,548	–	185,548	670,566
Duncan Garrood[2]	–	–	–	–	–	–	–	–
Lynne Fennah	310,000	13,561	46,500	370,061	167,670	–	167,670	537,731
Non-Executive Directors								
Mark Pain	115,000	–	–	115,000	–	–	–	115,000
Jim Prower	52,500	–	–	52,500	–	–	–	52,500
Stuart Beevor	48,000	–	–	48,000	–	–	–	48,000
Alice Avis[4]	33,333	–	–	33,333	–	–	–	33,333

Notes to the Table – Methodology

Salary and fees – This represents the cash paid or receivable in respect of the relevant financial year.

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, car allowance and the former CEO received a London living 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 Remuneration Committee determined that the performance for the LTIPs granted in December 2017 and May 2018 had not been met and accordingly none of these awards vest.

Pension – The new CEO received a Company contribution worth 7.5% of base salary: the ex CEO and CFO/COO received a contribution of 15% of base salary; during the year the Executive Directors each elected to receive a cash allowance in lieu of pension.

1 – Tim Attlee was CEO and a Director until 30 June 2020.

2 – Duncan Garrood became CEO and a Director on 28 September 2020.

3 – Lynne Fennah's salary was temporarily enhanced by an acting-up allowance of £20,000 due to her additional responsibilities and workload in Q3 2020 when there was no Chief Executive Officer. See page 60 for detail.

4 – Alice Avis joined the Board on 1 March 2019.

Additional Disclosures in Respect of the Single Figure Table (Audited)

2020 Annual Bonus

Tim Attlee and Lynne Fennah participated in the 2020 annual bonus scheme with a maximum annual bonus opportunity of 110% of salary based on the performance targets set out below. Duncan Garrood did not participate in the 2020 annual bonus scheme.

Following the reduction in income due to COVID-19, dividends were suspended and operating margin reduced significantly. Accordingly, the threshold targets were not achieved in relation to both financial measures.

Although some of the individual specific objectives were met (as detailed below), it became clear that the Company's financial performance would not justify the payment of any bonuses to Executive or other staff in 2020. The Remuneration Committee considered the consequences of zero bonus payouts in 2020, particularly in view of the extra pressure COVID-19 has put on all staff. Whilst the commitment and effort is recognised and appreciated, the Committee ultimately concluded that zero bonus was the appropriate outcome in the current circumstances.

Performance measure	*Proportion of bonus determined by measure*	*Threshold performance 0% payable*	*Maximum performance 100% payable*	*Actual performance*[1]	*% of maximum bonus payable*
Dividend cover	*33.33%*	*95% div cover*	*100% div cover*	*184%*	*0%*
Operating margin	*33.33%*	*67%*	*70%*	*62%*	*0%*
Individual specific objectives	*3 3.34%*	*See below*			*0% following application of Remuneration Committee discretion*

1 Note there has been a material impact of COVID-19 on our financial performance. See page 6 for detail.

Tim Attlee's 's original individual specific objectives related to the delivery of the 2020 business plan: optimising the operating platform; implementing a Board endorsed business plan and vision for future growth; and continuing to develop workplace engagement and culture. Following the announcement of Tim's imminent departure, his individual objectives were replaced with an objective based on the level of the Company's asset sales. No sales were achieved and the minimum target for this objective was not met.

Lynne Fennah's individual specific objectives and performance against these objectives were:

- To successfully deliver the new revenue management platform; Outturn – successfully delivered on time in November and on budget.
- To embed internalisation of management functions and optimise operating costs; Outturn – the majority of insourcing was completed and a restructuring of the operational team was planned and implemented, to provide 24/7 cover in our properties and improve customer services. Underlying operating cost per bed (excluding council tax on vacant rooms) reduced by 6.4%.
- To continue to develop workplace engagement and culture; Outturn – the operational restructuring, colleague engagement and colleague surveys, all enhanced working practices, Company values and our "homes not halls" service proposition. Notwithstanding the significant challenges arising from COVID-19, the staff survey score was 83% in May, up from 68% in 2019, and only fell marginally to 81% in November 2020.

LTIP Vesting

The vesting of the LTIP awards granted to Lynne Fennah on 12 December 2017 and 1 May 2018 were subject to a performance condition of Total Return ("TR") relative to threshold and maximum targets for the periods 30 June 2017 to 30 June 2020 and 31 December 2017 to 31 December 2020 respectively. TR, for these awards, means combined Net Asset Value growth and dividends. 25% of the awards vest for meeting a threshold TR target of 8% pa. increasing to 100% vesting for meeting a maximum target of 12% pa. Actual performance was below the threshold level for both awards so no LTIP shares vested.

Scheme Interests Awarded during the Financial Period (Audited)

Long-Term Incentive Plan Awards

Long-term incentive plan awards are granted over the Company's shares with the number of shares under award determined by reference to a percentage of base salary. Vesting of the awards is conditional upon satisfaction of performance conditions and is usually also conditional upon continued employment until the awards vest on the third anniversary of grant. For awards made after 1 January 2019, vesting is subject to an additional two-year holding period.

The following table provides details of the LTIP awards granted in 2020 to Lynne Fennah on 8 April 2020 and Duncan Garrood on 10 November 2020.

	Type of award	*Maximum number of shares*	*Face value £*	*Threshold vesting*	*End of performance period*
Lynne Fennah	*LTIP*	*511,982*	*474,300*	*25% of award*	*31 December 2022*
Duncan Garrood	*LTIP*	*400,000*	*300,000*	*25% of award*	*30 June 2023 and 30 September 2023*

Lynne Fennah was entitled to a LTIP award over shares worth 150% of her annual salary at the start of the year (i.e. excluding the temporary acting-up allowance received during 2020). The number of shares in the award (and the face value in the above table) has been calculated using the average Company share price for the 12-month period to 31 March 2020 of £0.9264 and is stated before the impact of reinvestment of the dividends paid since grant. Vesting of this award is subject to a performance condition based on Total Return (NAV per share growth and dividends) measured over a three-year performance period to 31 December 2022. 25% of the award will vest for meeting a threshold TR target of 8% per annum increasing to 100% vesting for meeting a maximum target of 12% per annum.

Duncan Garrood's 2020 LTIP award was set at a level that the Remuneration Committee decided was necessary and appropriate to secure his appointment having taken into account various factors including the share price at grant as well as his non-eligibility for any 2020 annual bonus and the absence of any buy-out cost associated with his appointment. The face value of the award in the above table has been calculated using the average Company share price for the 12-month period to 31 October 2020 of £0.7498 and is stated before the impact of reinvestment of the dividends paid since grant. Vesting of this award is subject to two performance measures each being 50% of the award. Firstly, Total Accounting Return ("TAR") relative to threshold and maximum targets for the periods 1 July 2020 to 30 June 2023, with TAR being the combined Net Asset Value growth and dividends. 25% of the award will vest for meeting a threshold TAR target of 6% pa. increasing to 100% vesting for meeting a maximum target of 10% pa. Secondly, Total Shareholder Return (TSR) relative to the FTSE All Share Real Estate Companies peer group, with 25% of the award for median performance and 100% for 75th percentile performance (straight line between) for the period 1 October 2020 to 30 September 2023.

Payments to Past Directors (Audited)

There were no payments to past Directors during 2020.

Annual Report on Remuneration continued

Payments for Loss of Office (Audited)

Tim Attlee's employment as Chief Executive Officer terminated on 30 June 2020. Remuneration payments following his departure have been determined by the Remuneration Committee taking into account contractual entitlements, the rules of the Company's incentive plans and the provisions of the Policy.

- The 12-month contractual notice period commenced on 18 March 2020 following the announcement that Tim Attlee intended to step down as Chief Executive Officer and will end on 17 March 2021.
- In accordance with the terms of Tim's employment contract, the basic salary and contractual benefits amounting to £41,350 per month have been paid from 1 July 2020 and will continue until 17 March 2021.
- Tim Attlee's outstanding deferred bonus shares will vest three years after the date of grant as follows:
  a) 2018 bonus – 43,818 deferred shares will vest on 24 April 2022
  b) 2019 bonus – 80,116 deferred shares will vest on 8 April 2023
- Tim Attlee remained a participant in the Value Delivery Plan (VDP), but following the end of the 2017-2020 four-year performance period, the VDP lapsed with no payout.
- Tim Attlee was not granted an LTIP award in 2020 and has no other LTIPs outstanding.
- Tim Attlee was eligible for a 2020 bonus, prorated for the period up to the termination date. In view of the impact of COVID-19 on the Company's performance, no bonus was paid.
- In line with our post-employment shareholding guideline, shares granted as part of remuneration during employment amounting to 326,517 shares are to be held for a minimum period of two years post-employment, being 30 June 2022. The deferred ordinary shares which vest on 24 April 2022 will also be held until 30 June 2022.
- The Company also paid £5,000 (plus VAT) in relation to legal fees incurred by Tim Attlee in connection with the termination of his employment.

Statement of Directors' Shareholdings and Share interests (Audited)

The table below shows the Directors' share ownership as at 31 December 2020.

The standard shareholding guideline is that Executive Directors are expected to build up and retain a shareholding worth at least 200% of salary. The guideline is expected to be satisfied within a five-year period of the introduction of the guideline or, if later, their appointment to the Board. Lynne Fennah and Duncan Garrood are in the process of building up their shareholding and are both within the grace period.

Directors are now required to maintain their shareholding in accordance with this guideline for two years post employment (unless the Committee considers a lower limit to be appropriate in a particular participant's circumstances).

	Dividends received during the year ended 31 December 2020	*Beneficially owned shares at 31 December 2020 (number of shares)*	*% of salary*[1]	*Outstanding LTIP awards subject to performance and employment conditions at 31 December 2020*[2] *(number of shares)*	*Outstanding annual bonus awards subject to employment conditions at 31 December 2020*[3] *(number of shares)*
Mark Pain	*£1,250*	*100,000*	–	–	–
Tim Attlee[4]	*£12,415*	*993,174*	–	–	–
Duncan Garrood	–	–	–	*400,000*	–
Lynne Fennah	*£859*	*55,400*	*13%*	*1,523,626*	*83,674*
Jim Prower	*£588*	*37,935*	–	–	–
Stuart Beevor	*£310*	*20,000*	–	–	–
Alice Avis	–	–	–	–	–

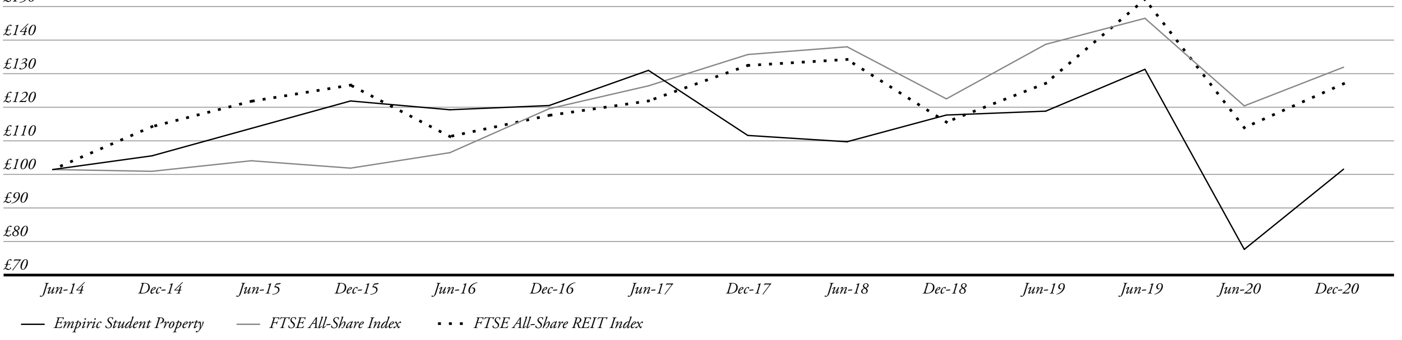
1 Value-based on salary effective from 1 January 2020 and the closing share price on 31 December 2020 of £0.749.
2 These are outstanding LTIP awards subject to the performance conditions disclosed in this or previous Remuneration Reports.
3 These are outstanding deferred awards granted pursuant to the annual bonus plan.
4 Figures up to point of cessation as Director.

Between 31 December 2020 and the date of this Report, there were no changes in the shareholdings outlined in the above table.

Performance Graph and CEO Remuneration Table

The chart below compares the TSR performance of the Company during the period since IPO 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 100 pence.

ESP TSR vs. FTSE All-Share and FTSE All-Share REIT Indices



Chief Executive Officer Remuneration Outcomes

The table below shows the total remuneration payable to the CEO for the financial periods since IPO, and variable pay outturns as a percentage of the maximum opportunity.

	12 months ended 30 June 2015	12 months ended 30 June 2016	6 months ended 31 December 2016	12 months ended 31 December 2017	12 months ended 31 December 2018[1]	12 months ended 31 December 2019	12 months ended 31 December 2020[2]
CEO single figure of remuneration	£576,263	£748,160	£314,455	£731,442	£539,500	£670,557	£361,041
Annual bonus payout (% of maximum)	100%	100%	50%	0%	25.12%	42%	0%
LTIP vesting	n/a	n/a	n/a	63.7%	0%	0%	0%

1 Includes Acting CEO for period 1 January to 31 October 2018.
2 Combination of Tim Attlee as CEO from 1 January to 30 June 2020 and Duncan Garrood as CEO from 28 September to 31 December 2020.

CEO Pay Ratio

The UK Companies (Miscellaneous Reporting) Regulations 2018 introduces a requirement for certain UK listed companies to publish the ratio of CEO pay to UK staff pay. This is presented below for the Group and calculated in accordance with the regulations:

Year	Option	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2020	A	24:1	23:1	19:1
2019	A	33:1	31:1	25:1

		Lower quartile		Median quartile		Upper quartile	
	Method	Total pay and benefits	Salary	Total pay and benefits	Salary	Total pay and benefits	Salary
2020	A	£20,250	£20,250	£20,963	£19,500	£25,309	£24,336

We have used Option A as the statistically preferred method for calculating the pay ratio.
Figures are calculated based on a reference date of 31 December 2020 (324 headcount employed at this date).
Remuneration for Non-Executive Directors has not been included in the calculations.
The conversion for part-time colleagues to FTE equivalent uses a standard working week of 37.5 hours and 52 weeks a year.

The summary above shows that the CEO pay ratios at all percentiles has reduced. This is due to two factors: firstly the CEO pay is only based on a nine-month period and not the full year and secondly there were no bonuses paid to the CEO in 2020.

The Group adopts a reward framework which is based on a set of principles for all our people. The remuneration should be competitive compared to other comparative roles and always more than the Real Living Wage. All our people are paid using the same principles as the pay for our Executive Directors. On this basis, we believe the median ratio is consistent with the Group's wider policies on pay, reward and progression policies.

Percentage Change in Remuneration of the Directors

The table below shows the change in the various elements of Director remuneration relative to the change in average employee remuneration between the last two financial periods.

	Mark Pain change	Jim Prower change	Stuart Beevor change	Alice Avis change	Lynne Fennah change	Duncan Garrood change	Average employee change
Base salary	+0%	+0%	+0%	+0%	+2%	+0%	+4%
Benefits	+0%	+0%	+0%	+0%	+0%	+0%	–
Annual bonus	+0%	+0%	+0%	+0%	-100%	+0%	–100%

Calculated as percentage change in the figures within the table entitled Single Total Figure of Remuneration (Audited).

Relative Importance of 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 31 December 2020	Year ended 31 December 2019
Total staff costs (further details are provided in Note 6 to the Group accounts (page 91)	£9.0m	£9.1m
Total dividends	£7.6m	£30.1m

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 with Policy. During the year ended 31 December 2020, the Remuneration Committee consisted of the following Directors: Stuart Beevor, Mark Pain, Jim Prower and Alice Avis. The Committee met six times during the year ended 31 December 2020.

Internal Advice

No individual was present when their own remuneration was being discussed. The Company Secretary acted as secretary to the Remuneration Committee. The Executive and HR Director joined some meetings to discuss relevant matters as required.

Annual Report on Remuneration continued

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 £19,000 in fees during the year ended 31 December 2020 for these services (charged on a time plus expense basis). 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. Deloitte provided no other services to the Company during this period.

Compliance with the UK Corporate Governance Code

The Committee is mindful of the UK Corporate Governance Code and considers that it has appropriately addressed the principles of Provision 40 in the Code:

– Clarity – This Remuneration Report provides a straightforward and transparent disclosure of our executive remuneration arrangements.

– Simplicity and alignment to culture – Our variable remuneration arrangements are straightforward with individuals eligible for an annual bonus and, at more senior levels, LTIP awards. Performance measures used in these plans are aligned with KPIs, key strategic objectives and long-term sustainable value creation.

– Predictability – The Policy Table on page 62 contains maximum opportunity levels for Executive Directors' bonus and LTIP awards and pension provision. The charts on page 56 of the 2019 Annual Report provide indications of the potential total reward opportunity for the Executive Directors.

– Proportionality and risk – Our variable remuneration arrangements are designed to provide a fair and proportionate link between Group performance and reward and the Remuneration Committee has an overriding discretion that allows it to adjust formulaic annual bonus or LTIP outcomes so as to prevent disproportionate results. Additionally, we ensure there is a clear link between executive remuneration and the longer-term performance of the Group through a combination of bonus deferral into shares, five-year release periods for LTIP awards and stretching shareholding requirements that apply during and post-employment.

– Risk – Before approving any bonus or LTIP payouts, the Committee confirms that they were achieved within an acceptable risk profile. Malus and clawback provisions also apply to both the annual bonus and LTIP.

Shareholder Voting

Shareholder support was received for our resolutions on remuneration as summarised below:

	Votes for	*Votes against*	*Votes withheld*
Approval of the Directors' Remuneration Report (May 2020 Annual General Meeting)	*322,002,722 (99.6%)*	*1,179,322 (0.4%)*	*35,190,897*
Approval of the Remuneration Policy (May 2020 Annual General Meeting)	*349,871,083 (97.7%)*	*8,367,331 (2.3%)*	*134,527*

External Board Appointments

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

Lynne Fennah was appointed Non-Executive Chairman of Home REIT plc with effect from 12 October 2020.

This report was approved by the Board on 16 March 2021.
On behalf of the Board:

Stuart Beevor
Remuneration Committee Chairman | 16 March 2021

Directors' Report

Introduction

The Directors are pleased to present their Annual Report, including the Company's audited financial statements, for the year ended 31 December 2020. The Directors' Report and the Strategic Report on pages 1 to 47 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 below.

Financial Results and Dividends

The financial results for the year can be found in the Group Statement of Comprehensive Income on page 79.

The interim dividends declared and paid in relation to the year are set out on page 95.

Directors

The names of the Directors of the Company who served during the year are set out on page 68. The biographical details of the current Board are on pages 48 and 49.

Directors' and Officers' Liability Insurance

The Company maintains Directors' and officers' liability insurance, at its expense, on behalf of the Directors.

Directors' Interests in Shares and Dividends

The Directors' interests in ordinary shares and dividends are disclosed in the Annual Report on Remuneration on page 68.

Future Developments

An indication of the likely future developments of the Company is set out in the Strategic Report on page 20.

Political Donations

The Company made no political donations and incurred no political expenditure during the year.

Employees

Information about the Group's employees can be found in the Strategic Report on page 36.

Financial Instruments

Details of the Group's financial risk management objectives and policies, together with its exposure to material financial risks, are set out in Note 27 to the consolidated financial statements.

Share Capital

At 31 December 2020, the total number of ordinary shares in issue was 603,160,940.

Restrictions on Transfer of Securities in the Company

There are no restrictions on the transfer of securities in the Company, except 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

– 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 on page 43. The Board is, therefore, of the opinion that the going concern basis adopted in the preparation of the Annual Report is appropriate.

Greenhouse Gas Emissions, Energy Consultation and Energy Efficiency Action

This information, required by Sch 7 of the Companies Act 2006, is included in the Strategic Report on page 39.

Substantial Shareholdings

As at 31 December 2020, the Company had been notified under the Disclosure and Transparency Rules ("DTR 5") of the following substantial holdings in its ordinary shares:

	As at 31 December 2020	
Investor	*Number of ordinary shares*	*Percentage of ordinary shares*
Investec Wealth & Investment	*47,906,132*	*7.94%*
CCLA Investment Management	*36,224,068*	*6.01%*
BlackRock	*32,859,317*	*5.45%*
Transact (EO)	*30,149,616*	*5.00%*
Premier Miton Investors	*28,815,787*	*4.78%*
East Riding of Yorkshire	*28,293,515*	*4.69%*
Schroder Investment Management	*25,174,027*	*4.17%*
Kleinwort Hambros	*18,767,452*	*3.11%*

Directors' Report continued

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 Act 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 the Company's AGM held on 7 May 2020, the Directors were granted general authority to allot shares in the Company in accordance with section 551 of the Companies Act 2006 up to an aggregate nominal amount of £2,010,537. Of these ordinary shares, the Directors were granted authority to issue up to an aggregate nominal amount of £301,580 of equity securities non-pre-emptively and wholly for cash. In addition, the Directors were granted a further authority to issue up to an aggregate nominal amount of £301,580 of equity securities non-pre-emptively where such allotment or sale is used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Board determines to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights. These authorities expire at the conclusion of the Company's next AGM.

At the AGM, 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 60,316,096 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.

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 54.

Post Balance Sheet Events

For all details occurring since the balance sheet date, please refer to Note 25 on page 102.

Independent Auditor

BDO LLP has expressed its willingness to continue as auditor for the financial year ending 31 December 2021 and a resolution relating to this appointment will be tabled at the AGM on 25 May 2021.

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 auditor is 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 2021 AGM will be held on 25 May 2021.
We are monitoring developments in UK regulations in relation to how AGMs may be held during this period. Further details about the AGM will be provided in the AGM Notice.

This report was approved by the Board on 16 March 2021.

Mark Pain
Chairman | 16 March 2021

Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the 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 prepare the Company financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss for the Group for that year.

In preparing these financial statements, the Directors are required to:

– select suitable accounting policies and then apply them consistently;
– make judgements and accounting estimates that are reasonable and prudent;
– state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies to the European Union, subject to any material departures disclosed and explained in the financial statements;
– prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business; and
– prepare a Directors' Report, a Strategic Report and Directors' Remuneration Report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website Publication

The Directors are responsible for ensuring the Annual Report and the financial statements are 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' Responsibilities Pursuant to DTR4

The Directors confirm that to the best of their knowledge:

– the Group financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies to 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 and loss of the Group and the undertakings included in the consolidation as a whole;
– the Annual Report includes a fair review of the development and performance of the business and the financial position of the Group and the Parent Company, together with a description of the principal risks and uncertainties that they face; and
– the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

Mark Pain
Chairman | 16 March 2021

Independent Auditor's Report to the Members of Empiric Student Property plc

Opinion on the Financial Statements

In our opinion:

– the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's loss for the year then ended;
– the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
– the Group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;
– the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
– the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of Empiric Student Property Plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 December 2020 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 and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Audit Committee.

Independence

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors on 4 August 2015 to audit the financial statements for the year ending 30 June 2015 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is seven years, covering the years ending 30 June 2015 to 31 December 2020. We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Conclusions Related to Going Concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We considered the ability of the Group and the Parent Company to continue as a going concern to be a key audit matter based on our assessment of the significance of the risk and the effect on our audit strategy. Refer to Note 1.4 (Going Concern).

Our audit procedures in response to this key audit matter and our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

– We assessed the appropriateness of the Group's cash flow forecasts in the context of the Group's 31 December 2020 financial position and the expected student occupancies and evaluated the Directors' downside sensitivities against these forecasts.
– We have considered the potential effects of the continuing COVID pandemic, including further lockdowns and restrictions, as part of the downside sensitivity scenarios.
– We evaluated the key assumptions in these forecasts and considered whether these appear reasonable, for example by comparing rental revenue to expected student occupancy.
– We assessed the appropriateness of the forecasted student occupancy against our own expectations given available third party evidence.
– We obtained the Directors' views on their ability to cure potential covenant breaches, through either partial loan repayments or pledging unencumbered assets, and the Directors' views on and evidence of the continued support of their lenders.
– We considered the Group's overhead and the level of discretionary spend in the Group and the Directors' ability to flex this in the downside scenarios.
– We also reviewed the disclosures relating to the going concern basis of preparation and considered whether these were consistent with the Directors' going concern assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the Parent Company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

In relation to the Parent Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	*100% (2019: 100%) of Group loss before tax* *100% (2019: 100%) of Group revenue* *100% (2019: 100%) of Group total assets*		
Key audit matters ("KAM")		2020	2019
	KAM 1	Valuation of investment property	Valuation of investment property
	KAM 2	Going concern	–
Materiality	*Group financial statements as a whole* £10,550,000 (2019: £11,000,000) based on 1% (2019: 1%) of Group total assets		

An Overview of the Scope of our Audit
Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group operates solely in the United Kingdom and through one segment, the investment property portfolio. None of the individually subsidiaries were considered to be significant components, and as such the audit approach included undertaking audit work on the key risks of material misstatement identified for the Group across the segment. The Group audit team performed all the work necessary to issue the Group and Parent Company audit opinions.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	*How the scope of our audit addressed the key audit matter*
Valuation of Investment Property Refer to Note 1.5 (Accounting Policies) and Note 13 (Investment Property). The Group's investment property portfolio includes: – Operational assets: these are existing properties that are currently let or available to let. – Development assets: these are properties being built. Such assets have a different risk and investment profile to the standing assets. The valuation of investment property requires significant judgement and estimates by the Directors and the independent valuer ("the Valuer") and is therefore considered a significant risk due to the subjective nature of certain assumptions inherent in each valuation. Any input inaccuracies or unreasonable bases used in the valuation judgements (such as capitalisation yields, future lease income, and in the case of properties under construction, costs to complete) could result in a material misstatement of the financial statements. There is also a risk that the Directors 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.	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. We assessed the competency, independence and objectivity of the external valuer, which included making enquiries regarding interests and relationships that may have created a threat to the valuer's objectivity. 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 for each of the investment properties against our own expectation and challenged the external valuer in respect of those properties where the valuations fell outside of our range of expectation through discussion and inspection of corroborating information to determine the appropriate valuation. We checked the data provided to the valuer by the Group and found that it was consistent with the information we audited. This data included inputs such as current rent and lease terms, which we have agreed on a sample basis to executed lease agreements as part of our audit work. For properties under development we agreed a sample of the costs incurred to date to supporting documentation and tested the forecasted costs to complete to supporting documentation, including budgeted development spend and development contract agreements. We checked that the property valuations have been properly included in the financial statements. We also assessed whether the disclosures in the financial statements are appropriate and in accordance with relevant accounting standards. **Key Observations:** Based on the procedures we performed, we considered the assumptions and methodologies used to value the Group's investment portfolio to be appropriate.

Independent Auditor's Report to the Members of Empiric Student Property plc continued

Our Application of Materiality
We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2020	2019	2020	2019
Materiality	£10,550,000	£11,000,000	£9,495,000	£9,900,000
Basis for determining materiality	1% of Group total assets	1% of Group total assets	90% of Group materiality.	90% of Group materiality.
Rationale for the benchmark applied	We determined that 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 users of the financial statements in assessing the financial performance of the Group.		Capped at 90% of Group materiality given the assessment of the components aggregation risk.	
Performance materiality	£7,900,000	£8,250,000	£7,100,000	£7,400,000
Basis for determining performance materiality	75% of materiality – in determining performance materiality we have considered the following factors: – Our risk assessment, including our assessment of the Group's overall control environment; and – Our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods and Management's willingness to investigate and correct these.		75% of materiality – in determining performance materiality we have considered the following factors: – Our risk assessment, including our assessment of the Group's overall control environment; and – Our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods and Management's willingness to investigate and correct these.	

Specific materiality
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 materiality for these items based on 5% of three-year average of EPRA earnings being £950,000 (2019: 5% of EPRA earnings being £1,250,000). The three-year average was considered to be a more consistent reflection of the business given the decline in EPRA earnings for the current year. Those items which may affect EPRA earnings include revenue, property expenses, administrative expenses, finance cost and finance income.

We further applied a performance materiality level of 75% (2019: 75%) of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated.

Reporting threshold
We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £211,000 (2019: £220,000), and for amounts impacting EPRA earnings in excess of £48,000 (2019: £63,000). We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

Other Information
The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts 2020 other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate Governance Statement
The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Parent Company's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability	– The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 71; and – The Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate set out on page 43.
Other Code provisions	– Directors' statement on fair, balanced and understandable set out on page 73; – The Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 55; – The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems [set out on page 55; and – The section describing the work of the Audit Committee set out on page 57.

Other Companies Act 2006 Reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic Report and Directors' Report	In our opinion, based on the work undertaken in the course of the audit: – the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and – the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.
Directors' remuneration	In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.
Corporate governance statement	In our opinion, based on the work undertaken in the course of the audit the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Guidance and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in this information. In our opinion, based on the work undertaken in the course of the audit information about the Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules. We have nothing to report arising from our responsibility to report if a corporate governance statement has not been prepared by the Parent Company.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

Responsibilities of Directors

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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report to the Members of Empiric Student Property plc continued

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Agreement of the financial statement disclosures to underlying supporting documentation to assess compliance with those laws and regulations having an impact on the financial statements;
- Enquiries of management and the Audit Committee as to their identification of any non-compliance with laws or regulations, or any actual or potential claims;
- Review of minutes of Board meetings throughout the period;
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations and performing our own checks of compliance with relevant requirements, including the Companies Act 2006, the UK Listing Rules and the REIT tax regime requirements;
- In relation to the risk of management override of internal controls, by undertaking procedures to review journal entries processed during and subsequent to the year end and evaluating whether there was evidence of bias that represented a risk of material misstatement due to fraud; and
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified specific fraud risks with respect to the valuation of investment property, which been included as a key audit matter and our audit response is set out in that section of our audit report.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of Our Report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Thomas Edward Goodworth (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
16 March 2021

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

Group Statement of Comprehensive Income

	Note	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Continuing operations			
Revenue	2	**59,444**	70,908
Property expenses	3	**(22,651)**	(23,351)
Net rental income		**36,793**	47,557
Administrative expenses	4	**(9,841)**	(9,222)
Change in fair value of investment property	13	**(37,603)**	29,176
Operating (loss) / profit		**(10,651)**	67,511
Finance cost		**(13,341)**	(13,148)
Finance income		**22**	409
Net finance costs	5	**(13,319)**	(12,739)
(Loss) / profit before income tax		**(23,970)**	54,772
Corporation tax	7	**–**	–
(Loss) / profit for the year		**(23,970)**	54,772
Other comprehensive income			
Items that will be reclassified to Statement of Comprehensive Income			
Fair value gain on cash flow hedge		**–**	80
Total comprehensive (loss) / income for the year		**(23,970)**	54,852
(Loss) / earnings per share expressed in pence per share	8		
Basic		**(3.97)**	9.08
Diluted		**(3.97)**	9.07
Gross margin		**61.9%**	67.1%

Group Statement of Financial Position

	Note	At 31 December 2020 £'000	At 31 December 2019 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**135**	352
Intangible assets	12	**1,054**	1,619
Investment property – Operational Assets	13	**981,369**	999,380
Investment property – Development Assets	13	**23,751**	29,700
Total non-current assets		**1,006,309**	1,031,051
Current assets			
Trade and other receivables	14	**14,510**	10,538
Cash and cash equivalents	15	**33,927**	16,517
Total current assets		**48,437**	27,055
Total assets		**1,054,746**	1,058,106
LIABILITIES			
Current liabilities			
Trade and other payables	16	**15,527**	14,372
Borrowings	17	**–**	42,675
Deferred income	16	**20,676**	29,204
Total current liabilities		**36,203**	86,251
Non-current liabilities			
Borrowings	17	**385,266**	307,097
Total non-current liabilities		**385,266**	307,097
Total liabilities		**421,469**	393,348
Total net assets		**633,277**	664,758
Equity			
Called up share capital	18	**6,032**	6,032
Share premium	19	**257**	257
Capital reduction reserve	20	**475,038**	482,578
Retained earnings		**151,950**	175,891
Total equity		**633,277**	664,758
Total equity and liabilities		**1,054,746**	1,058,106
Net Asset Value per share basic (pence)	9	**105.00**	110.21
Net Asset Value per share diluted (pence)	9	**104.60**	109.99
EPRA NTA per share (pence)	9	**105.00**	110.21

These financial statements were approved by the Board of Directors on 16 March 2021 and signed on its behalf by:

Lynne Fennah
Chief Financial Officer

Company Statement of Financial Position

	Note	At 31 December 2020 £'000	At 31 December 2019 £'000
ASSETS			
Fixed assets			
Property, plant and equipment	11	**56**	288
Intangible assets	12	**968**	1,080
Investments in subsidiaries	30	**187,598**	81,686
Total fixed assets		**188,622**	83,054
Current assets			
Trade and other receivables	14	**353**	304
Amounts due from Group undertakings	14	**350,578**	420,006
Cash and cash equivalents	15	**24,775**	12,407
Total current assets		**375,706**	432,717
Total assets		**564,328**	515,771
Creditors			
Current creditors			
Trade and other payables	16	**2,918**	2,841
Amounts due to Group undertakings	16	**9,548**	9,721
Borrowings		**–**	9,995
Total current creditors		**12,466**	22,557
Non-current creditors			
Borrowings		**19,961**	–
Total non-current creditors		**19,961**	–
Total creditors		**32,427**	22,557
Total net assets		**531,901**	493,214
Capital and reserves			
Called up share capital	18	**6,032**	6,032
Share premium	19	**257**	257
Capital reduction reserve	20	**475,038**	482,578
Retained earnings		**50,574**	4,347
Total capital and reserves		**531,901**	493,214

The Company made a profit for the year of £46,198,000 (2019: £8,179,000 loss).

These financial statements were approved by the Board of Directors on 16 March 2021 and signed on its behalf by:

Lynne Fennah
Director

Group Statement of Changes in Equity

Year ended 31 December 2020	Called up share capital £'000	Share premium £'000	Capital reduction reserve £'000	Retained earnings £'000	Cash flow hedge reserve £'000	Total equity £'000
Balance at 1 January 2020	***6,032***	***257***	***482,578***	***175,891***	–	***664,758***
Changes in equity						
Profit for the year	–	–	–	***(23,970)***	–	***(23,970)***
Total comprehensive income for the year	–	–	–	***(23,970)***	–	***(23,970)***
Share-based payments	–	–	–	***29***	–	***29***
Dividends	–	–	***(7,540)***	–	–	***(7,540)***
Total contributions and distribution recognised directly in equity	–	–	***(7,540)***	***29***	–	***(7,511)***
Balance at 31 December 2020	***6,032***	***257***	***475,038***	***151,950***	–	***633,277***
Year ended 31 December 2019						
Balance at 1 January 2019	*6,029*	*467,268*	*45,458*	*121,215*	*(80)*	*639,890*
Changes in equity						
Profit for the year	–	–	–	*54,772*	–	*54,772*
Fair value gain on cash flow hedge	–	–	–	–	*80*	*80*
Total comprehensive income for the year	–	–	–	*54,772*	*80*	*54,852*
Share-based payments	–	–	–	*164*	–	*164*
Share premium cancellation	–	*(467,268)*	*467,268*	–	–	–
Share options exercised	*3*	*257*	–	*(260)*	–	–
Dividends	–	–	*(30,148)*	–	–	*(30,148)*
Total contributions and distribution recognised directly in equity	*3*	*(467,011)*	*437,120*	*(96)*	–	*(29,984)*
Balance at 31 December 2019	*6,032*	*257*	*482,578*	*175,891*	–	*664,758*

Company Statement of Changes in Equity

Year ended 31 December 2020	Called up share capital £'000	Share premium £'000	Capital reduction reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2020	***6,032***	***257***	***482,578***	***4,347***	***493,214***
Changes in equity					
Profit for the year	–	–	–	***46,198***	***46,198***
Total comprehensive loss for the year	–	–	–	***46,198***	***46,198***
Share-based payments	–	–	–	***29***	***29***
Dividends	–	–	***(7,540)***	–	***(7,540)***
Total contributions and distribution recognised directly in equity	–	–	***(7,540)***	***29***	***(7,511)***
Balance at 31 December 2020	***6,032***	***257***	***475,038***	***50,574***	***531,901***
Year ended 31 December 2019					
Balance at 1 January 2019	*6,029*	*467,268*	*45,458*	*12,622*	*531,377*
Changes in equity					
Loss for the year	–	–	–	*(8,179)*	*(8,179)*
Total comprehensive loss for the year	–	–	–	*(8,179)*	*(8,179)*
Share-based payments	–	–	–	*164*	*164*
Share premium cancellation	–	*(467,268)*	*467,268*	–	–
Share options exercised	*3*	*257*	–	*(260)*	–
Dividends	–	–	*(30,148)*	–	*(30,148)*
Total contributions and distribution recognised directly in equity	*3*	*(467,011)*	*437,120*	*(96)*	*(29,984)*
Balance at 31 December 2019	*6,032*	*257*	*482,578*	*4,347*	*493,214*

Group Statement of Cash Flows

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Cash flows from operating activities		
(Loss) / profit before income tax	(23,970)	54,772
Share-based payments	29	164
Depreciation and amortisation	326	283
Finance income	(22)	(409)
Finance costs	13,341	13,148
Intangible asset impairment	898	–
Change in fair value of investment property	37,603	(29,176)
	28,205	38,782
Decrease in trade and other receivables	(3,971)	958
(Decrease)/increase in trade and other payables	1,653	(1,269)
Increase in deferred rental income	(8,528)	2,236
	(10,846)	1,925
Net cash flows generated from operations	17,359	40,707
Cash flows from investing activities		
Purchases of tangible fixed assets	(72)	(85)
Purchases of intangible assets	(370)	(552)
Purchase of investment property	(14,258)	(39,620)
Interest received	22	409
Fixed term deposit	–	10,000
Net cash flows from investing activities	(14,678)	(29,848)
Cash flows from financing activities		
Dividends paid	(7,540)	(30,148)
Bank borrowings drawn	77,800	115,500
Bank borrowings repaid	(42,800)	(90,500)
Loan arrangement fee paid	(1,009)	(1,064)
Finance cost (excluding fair value loss on derivatives)	(11,722)	(11,603)
Net cash flows from financing activities	14,729	(17,815)
Increase / (decrease) in cash and cash equivalents	17,410	(6,956)
Cash and cash equivalents at beginning of year	16,517	23,473
Cash and cash equivalents at end of year	33,927	16,517

Notes to the Financial Statements

1. ACCOUNTING POLICIES

1.1 Period of Account

The consolidated financial statements of the Group are in respect of the reporting period from 1 January 2020 to 31 December 2020.

The consolidated financial statements of the Group for the year ended 31 December 2020 comprise the results of Empiric Student Property plc (the "Company") and its subsidiaries and were approved by the Board for issue on 16 March 2021. The Company is a public limited company incorporated and domiciled in England and Wales. The Company's ordinary shares are admitted to the official list of the UK Listing Authority, a division of the Financial Conduct Authority, and traded on the London Stock Exchange. The registered address of the Company is disclosed in the Company information.

1.2 Basis of Preparation

The consolidated financial statements of the Group for the year to 31 December 2020 comprise the results of Empiric Student Property plc (the "Company") and its subsidiaries (together, the "Group"). These financial statements have been prepared on a going concern basis and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies to the European Union. The Parent Company financial statements have been prepared in accordance with FRS 101, Financial Reporting Standards Reduced Disclosure Framework.

The "requirements of the Companies Act 2006" here means accounts being prepared in accordance with "international accounting standards" as defined in section 474(1) of that Act, as it applied immediately before the Implementation Period (IP) completion day (end of transition period), including where the Company also makes use of standards which have been adopted for use within the United Kingdom in accordance with regulation 1(5) of the International Accounting Standards and European Public Limited Liability Company (Amendment etc.) (EU Exit) Regulations 2019".

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 and the Group's functional currency.

The Company has applied the exemption allowed under section 408(1b) of the Companies Act 2006 and has therefore not presented its own Statement of Comprehensive Income in these financial statements. The Group loss for the year includes a profit after taxation of £46,198,000: (2019: loss of £8,179,000) for the Company, which is reflected in the financial statements of the Company.

1.3 Disclosure Exemptions Adopted

In preparing the financial statements of the Parent Company, advantage has been taken of all disclosure exemptions conferred by FRS 101. The Parent Company financial statements do not include:

• certain comparative information as otherwise required by international accounting standards;
• a statement of cash flows;
• the effect of future accounting standards not yet adopted; and
• disclosure of related party transactions with other wholly owned members of the Group headed by Empiric Student Property plc.

In addition, and in accordance with FRS 101, further disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements of Empiric Student Property Plc. The Parent Company Financial Statements do not include certain disclosures in respect of:

• Financial Instruments (other than certain disclosures required as a result of recording financial instruments at fair value); and
• Fair value measurement (other than certain disclosures required as a result of recording financial instruments at fair value).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and does not present its own profit and loss account in these financial statements.

1.4 Going Concern

The COVID-19 pandemic has created global economic uncertainty, and in particular an uncertainty around income for the 2020/21 and 2021/22 academic years. Accordingly, the Group has conducted a detailed going concern review and considered its liquidity position and banking covenant compliance strength.

On 31 March 2020 the Group announced the difficult decision to suspend dividend distributions and guidance. The Group also took decisive action to focus on liquidity. All development spend was paused and other discretionary costs were reviewed with reductions identified and implemented. The Group also announced it would look favourably upon requests on a case-by-case basis from its customers who were either no longer in occupation or, due to university closures, plan not to return to their accommodation, to be released from their rent and lease obligations from 25 April 2020 onwards. The worst-case estimate for this was a £21 million cash impact, however the final actual impact of releasing students their rent obligations for the academic year 2020/21 was much less at £6.5 million.

As at 31 December 2020 the Group had £34 million in cash and £30 million of undrawn investment debt facilities. The Group is well funded and has no refinancing requirements until November 2022.

The Group's debt facilities include covenants in respect of LTV and interest cover, both projected and historic, and all debt facilities are ring fenced with each specific lender. The Group maintains regular dialogue with all of its lenders as part of the ordinary course of business, however during the pandemic we have increased the frequency of this dialogue. As part of these discussions with our lenders we have had conversations specifically around the interest cover covenants to ensure we either temporarily restructure these or gain the relevant waivers from the banks to ensure that no issues arise. To date all of our banks have been supportive during this period and have expressed commitment to the long-term relationship they wish to build with Empiric.

Notes to the Financial Statements continued

1.4 Going Concern continued
Management has evaluated a number of scenarios in its going concern model. The critical assumption is the revenue occupancy for the 2021/22 academic year. Upside, central and downside cases have been constructed showing 2021/22 academic year occupancy of between 80% and 95%. A downside stress scenario has also been considered which has set 2021/22 revenue occupancy at similar levels to the 2020/21 academic year.

Scenario	*Revenue occupancy for 2020/21 academic year*	*Revenue occupancy for 2021/22 academic year*
Scenario 1 – Upside Scenario	*65%*	*95%*
Scenario 2 – Central Scenario	*65%*	*85%*
Scenario 3 – Downside Scenario	*65%*	*80%*
Scenario 4 – Downside Stress Scenario	*65%*	*65%*

The Group continues to maintain covenant compliance for its LTV thresholds throughout the going concern assessment period. Property values would have to fall by more than 15% from December 2020 valuations before LTV covenants are breached.

In Scenario 1, 2 and 3 above the Group continues to maintain covenant compliance for all its interest cover covenants. It maintains adequate levels of liquidity and does not need to utilise the additional £20 million RCF facility negotiated with Lloyds Bank plc throughout the same assessment period. In addition, no assumption is made as to the level of additional cost-cutting measures or mitigating actions which could potentially be undertaken.

In Scenario 4, under our Downside Stress Scenario, we would not meet interest cover covenants at the 30 June 2021 measurement date for two lenders. However, the Group has cure rights under the lending agreements and sufficient cash headroom to cure any ICR breaches if required. For one lender, under Scenario 4, we would not meet a specific 80% occupancy covenant requirement by October 2021. Under this scenario we would be dependent on the further support of this lender, and we would expect this support to be forthcoming.

To support the Directors' going concern assessment, the management also evaluated the occupancy level at which all ICR covenant tests were breached and, additionally, the impact of a"Reverse Stress Test" which was performed to determine the level of revenue occupancy for the 2021/22 academic year at which the Group would need to seek alternative sources of funding. For this modelling we kept revenue occupancy for the 2020/21 academic year at 65%.

The Directors noted that if occupancy falls below 44% then the Group would be in breach of all ICR covenants, and at 18% revenue occupancy for the 2021/22 academic year (47% lower revenue occupancy than our Downside Stress Scenario) the Group would need to seek alternative sources of funding.

Having reviewed and considered three modelled scenarios, a Downside Stress Scenario, the 2021/22 academic year occupancy level at which ICR covenants would be breached and the level at which alternative sources of funding would be required, the Directors consider that the Group has adequate resources in place for at least 12 months from the date of these results and have therefore adopted the going concern basis of accounting in preparing the annual financial statements.

1.5 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.

Estimates
In the process of applying the Group's accounting policies, management has made the following estimates, 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 RICS Valuation – Professional Standards January 2014 (the "Red Book"). Factors reflected include current market conditions, annual rentals, lease lengths and location. The significant methods and assumptions used by valuers in estimating the fair value of investment property are set out in Note 13.

For properties under development the fair value is calculated by estimating the fair value of the completed property using the income capitalisation technique less estimated costs to completion and an appropriate developer's margin.

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:

1.5 Significant Accounting Judgements, Estimates and Assumptions continued

(b) Operating Lease Contracts – the Group as Lessor

The Group has investment properties which have various categories of leases in place with tenants. The judgements by lease type are detailed below:

Student leases: As these leases all have a term of less than one year, the Group retains all the significant risks and rewards of ownership of these properties and so accounts for the leases as operating leases.

Nominations and Commercial leases: The Group has determined, based on an evaluation of the terms and conditions of the arrangements, particularly the lease terms, insurance requirements 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.

Summary of Significant Accounting Policies

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2020. 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 are 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.

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. Other than financial assets in a qualifying hedging relationship, the Group's accounting policy for each category is as follows:

Fair Value Through Profit or Loss

This category comprises only in-the-money derivatives (see "Financial liabilities" section of out-of-money derivatives). They are carried in the Statement of Financial Position at fair value with changes in fair value recognised in the Statement of Comprehensive Income in the finance income or expense line. Other than derivative financial instruments which are not designated as hedging instruments, the Group does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

Amortised Cost

These assets are primarily from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivable is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the Statement of Comprehensive Income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for intercompany receivables are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, 12-month expected credit losses against gross interest income are recognised. For those where the credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the Statement of Comprehensive Income (operating profit).

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and – for the purpose of the Statement of Cash Flows – bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the Statement of Financial Position.

Notes to the Financial Statements continued

1.5 Significant Accounting Judgements, Estimates and Assumptions continued

Financial Liabilities

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

Other than financial liabilities in a qualifying hedging relationship (see below), the Group's accounting policy for each category is as follows:

Fair Value Through Profit or Loss

This category comprises only out-of-the-money derivatives (see "Financial assets" for in-the-money derivatives). They are carried in the Statement of Financial Position at fair value with changes in fair value recognised in the Statement of Comprehensive Income. The Group does not hold or issue derivative financial instruments for speculative purposes, but for hedging purposes. Other than these derivative financial instruments, the Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

Other Financial Liabilities

Other financial liabilities include the following items:

- Bank borrowing is initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the Consolidated Statement of Financial Position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.
- 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.

Hedge Accounting

Hedge accounting is applied to financial assets and financial liabilities only where all of the following criteria are met:

- at the inception of the hedge there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge; and
- the hedge relationship meets all of the hedge effectiveness requirements, including that an economic relationship exists between the hedged item and the hedging instrument, the credit risk effect does not dominate the value changes, and the hedge ratio is designated based on actual quantities of the hedged item and hedging instrument.

Cash Flow Hedges

The effective part of forward contracts designated as a hedge of the variability in cash flows of interest rate risk arising from firm commitments, and highly probable forecast transactions, are measured at fair value with changes in fair value recognised in Other Comprehensive Income and accumulated in the cash flow hedge reserve. The Group uses such contracts to fix the cost interest payments.

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.

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.

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

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

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% per annum on a reducing balance basis; and
- Computer equipment: straight-line basis over three years.

Rental Income

The Group is the lessor in respect of operating leases. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term and is included in gross rental income in the Consolidated Statement of Comprehensive Income due to its operating nature.

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.

1.5 Significant Accounting Judgements, Estimates and Assumptions continued
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.

Where a student requested a rent refund and they met the criteria set out, including leaving the property, the Group recognised no further income in relation to that let, reduced cash with the cash amount refunded, wrote off any deferred income in relation to the refund and any difference between cash and deferred income was debited or credited to revenue in the Statement of Comprehensive Income

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

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

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

Taxation
As the Group is a UK REIT, profits arising in respect of the property rental business are not subject to UK corporation tax.

Taxation in respect of profits and losses outside of the property rental business comprises current and deferred taxes. Taxation is recognised in the Consolidated Statement of Comprehensive Income except to the extent that it relates to items recognised as direct movement in equity, in which case it is also recognised as a direct movement in equity.

Current tax is the total of the expected corporation tax payable in respect of any non-REIT taxable income for the year and any adjustment in respect of previous periods, based on tax rates applicable to the periods.

Deferred tax is calculated in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, based on tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are recognised in full (except to the extent that they relate to the initial recognition of assets and liabilities not acquired in a business combination). Deferred tax assets are only recognised to the extent that it is considered probable that the Group will obtain a tax benefit when the underlying temporary differences unwind.

1.6 Impact of New Accounting Standards and Changes in Accounting Policies
At the date of authorisation of these financial statements, the following accounting standards had been issued which are not yet applicable to the Group:

- IAS 1/8 definition of materiality amendment
- IFRS 3 definition of a business
- IBOR reform phase 1
- IFRS 16 amendment for rent concessions

The above standards or interpretations not yet effective are expected to have a material impact on these condensed consolidated financial statements of the Group.

Notes to the Financial Statements continued

2. REVENUE

	Group	
	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Student rental income	**64,218**	69,209
Student rental refunds	**(6,539)**	–
Commercial rental income	**1,765**	1,699
Total revenue	**59,444**	70,908

3. PROPERTY EXPENSES

	Group	
	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Direct site costs	**7,575**	7,128
Technology services	**671**	936
Site office and utilities	**9,371**	9,832
Cleaning and service contracts	**2,922**	2,729
Repairs and maintenance	**2,112**	2,726
Total property expenses	**22,651**	23,351

4. ADMINISTRATIVE EXPENSES

	Group	
	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Salaries and Directors' remuneration	**4,655**	5,024
Legal and professional fees	**1,976**	1,776
Other administrative costs	**2,453**	1,604
IT expenses	**326**	333
	9,410	8,737
Auditor's fees		
Fees payable for the audit of the Group's annual accounts	**210**	210
Fees payable for the review of the Group's interim accounts	**40**	40
Fees payable for the audit of the Group's subsidiaries	**136**	136
Total auditor's fees	**386**	386
Abortive acquisition costs	**45**	99
Total administrative expenses	**9,841**	9,222

5. NET FINANCE COST

	Group Year ended 31 December 2020 £'000	Group Year ended 31 December 2019 £'000
Finance costs		
Interest expense on bank borrowings	**11,838**	11,947
Amortisation of loan transaction costs	**1,503**	1,201
	13,341	13,148
Finance income		
Fair value gain on interest rate swap	**–**	181
Interest received on bank deposits	**22**	228
	22	409
Net finance cost	**13,319**	12,739

6. EMPLOYEES AND DIRECTORS

	Group Year ended 31 December 2020 £'000	Group Year ended 31 December 2019 £'000
Wages and salaries	**8,021**	6,994
Pension costs	**295**	327
Cash bonus	**–**	878
Share-based payments	**29**	164
National insurance	**725**	750
	9,070	9,113
Less: Hello Student® amounts included in property expenses	**(4,415)**	(4,089)
Amounts included in administrative expenses	**4,655**	5,024
The average monthly number of employees of the Group during the year was as follows:		
Management	**5**	5
Administration – ESP	**44**	27
Operations – Hello Student®	**316**	335
	365	367

Directors' remuneration	Group Year ended 31 December 2020 £'000	Group Year ended 31 December 2019 £'000
Salaries and fees	**928**	1,007
Pension costs	**86**	107
Cash bonus	**–**	212
Payment in lieu of notice	**351**	–
Share-based payments	**29**	164
	1,394	1,490

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

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:

- 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;
- at least 75% of the Group's total profits must arise from the tax-exempt property rental business; and
- at least 90% of the tax exempt profit of the property rental business (excluding gains) of the accounting period must be distributed.

In addition, the full UK corporation tax exemption in respect of the 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 31 December 2020.

The Directors intend that the Group should continue as a REIT for the foreseeable future, with the result that deferred tax is not required to be recognised in respect of temporary differences relating to the property rental business.

	Group	
	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Current tax		
Income tax charge/(credit) for the year	**–**	–
Adjustment in respect of prior year	**–**	–
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 year is lower than the standard rate of corporation tax in the year		
Profit for the year	**(23,970)**	54,772
Profit before tax multiplied by the rate of corporation tax in the UK of 19% (2019: 19%)	**(4,554)**	10,407
Exempt property rental profits in the year	**(2,042)**	(4,194)
Exempt property revaluations in the year	**7,144**	(5,543)
Effects of:		
Non-allowable expenses	**70**	47
Capital allowances	**(1,006)**	(1,143)
Unutilised current year tax losses	**388**	426
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 £388,000 (31 December 2019: £426,000) 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 of £3,027,000 (2019: £3,818,000) has not been recognised in respect of such losses.

8. EARNINGS PER SHARE

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

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 year.

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

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

Adjusted earnings is a performance measure used by the Board to assess the Group's dividend payments. Licence fees, development rebates and rental guarantees are added to EPRA earnings on the basis noted below as the Board sees these cash flows as supportive of dividend payments.

– 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 development rebate is due from developers in relation to late completion on forward-funded agreements as stipulated in development agreements.
– The discounts on acquisition are in respect of the vendor guaranteeing a rental shortfall for the first year of operation as stipulated in the sale and purchase agreement.

Reconciliations are set out below:

	Calculation of basic EPS £'000	*Calculation of diluted EPS £'000*	*Calculation of EPRA basic EPS £'000*	*Calculation of EPRA diluted EPS £'000*	*Calculation of adjusted EPS £'000*
Year to 31 December 2020					
Earnings	***(23,970)***	***(23,970)***	***(23,970)***	***(23,970)***	***(23,970)***
Adjustment to include discounts on acquisition due to rental guarantees in the year	–	–	–	–	***221***
Adjustments to remove:					
Changes in fair value of investment properties (Note 13)	–	–	***37,603***	***37,603***	***37,603***
Earnings/Adjusted Earnings	***(23,970)***	***(23,970)***	***13,633***	***13,633***	***13,854***
Weighted average number of shares ('000)	***603,161***	***603,161***	***603,161***	***603,161***	***603,161***
Adjustment for employee share options ('000)	–	–[1]	–	***551***	–
Total number shares ('000)	***603,161***	***603,161***	***603,161***	***603,712***	***603,161***
Per-share amount (pence)	***(3.97)***	***(3.97)***	***2.26***	***2.26***	***2.30***
Year to 31 December 2019					
Earnings	*54,772*	*54,772*	*54,772*	*54,772*	*54,772*
Adjustment to include licence fee receivable on forward-funded developments in the year	–	–	–	–	*1,038*
Adjustment to include discounts on acquisition due to rental guarantees in the year	–	–	–	–	*229*
Adjustments to remove:					
Changes in fair value of investment properties (Note 13)	–	–	*(29,176)*	*(29,176)*	*(29,176)*
Changes in fair value of interest rate derivatives (Note 18 prior year accounts)	–	–	*(181)*	*(181)*	*(181)*
Earnings/Adjusted Earnings	*54,772*	*54,772*	*25,415*	*25,415*	*26,682*
Weighted average number of shares ('000)	*602,929*	*602,929*	*602,929*	*602,929*	*602,929*
Adjustment for employee share options ('000)	–	*1,215*	–	*1,215*	–
Total number shares ('000)	*602,929*	*604,144*	*602,929*	*604,144*	*602,929*
Per-share amount (pence)	*9.08*	*9.07*	*4.22*	*4.21*	*4.43*

1 Due to the Group making a loss in the year, under IAS 33 the share options become antidilutive and thus are excluded from the above calculation.

Notes to the Financial Statements continued

9. NET ASSET VALUE PER SHARE

In October 2019, EPRA published new best practice recommendations for financial disclosures by public real estate companies. Three new measures of Net Asset Value were introduced namely: EPRA Net Tangible Assets (NTA), EPRA Net Reinvestment Value (NRV) and EPRA Net Disposal Value (NDV). These recommendations are effective for accounting periods starting on 1 January 2020 and have been adopted by the Group.

The principles of the three new measures per EPRA are below:

EPRA Net Reinstatement Value: Assumes that entities never sell assets and aims to represent the value required to rebuild the entity.

EPRA Net Tangible Assets: Assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax.

EPRA Net Disposal Value: Represents the shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax. As the Group is a REIT, no adjustment is made for deferred tax.

The Group consider NAV to be the most relevant measure of the NAV measures and we expect this to be our primary NAV measure going forward.

A reconciliation of the three new EPRA NAV metrics from IFRS NAV is shown in the table below. The previously reported EPRA NAV has also been included for comparative purposes.

	NAV	***New EPRA NAV measures***			***Previously reported measure***
Year ended 31 December 2020	***IFRS £'000***	***EPRA NRV £'000***	***EPRA NTA £'000***	***EPRA NDV £'000***	***EPRA NAV £'000***
Net assets per Statement of Financial Position	***633,278***	***633,278***	***633,278***	***633,278***	***633,278***
Adjustments					
Intangibles	–	–	–	–	–
Purchaser's costs[1]	–	***32,830***	–	–	–
Net assets used in per share calculation	***633,278***	***666,108***	***633,278***	***633,278***	***633,278***
Number of shares in issue					
Issued share capital ('000)	***603,161***	***603,161***	***603,161***	***603,161***	***603,161***
Issued share capital plus employee options ('000)	***605,475***	***605,475***	***605,475***	***605,475***	***605,475***
Net Asset Value per share	***£***	***£***	***£***	***£***	***£***
Basic Net Asset Value per share	***1.050***	***1.104***	***1.050***	***1.050***	***1.050***
Diluted Net Asset Value per share	***1.046***	***1.101***	***1.046***	***1.046***	***1.046***

	NAV	*New EPRA NAV measures*			*Previously reported measure*
Year ended 31 December 2019	*IFRS £'000*	*EPRA NRV £'000*	*EPRA NTA £'000*	*EPRA NDV £'000*	*EPRA NAV £'000*
Net assets per Statement of Financial Position	*664,758*	*664,758*	*664,758*	*664,758*	*664,758*
Adjustments					
Intangibles	–	–	–	–	–
Purchaser's costs[1]	–	*36,593*	–	–	–
Net assets used in per share calculation	***664,758***	***701,351***	***664,758***	***664,758***	***664,758***
Number of shares in issue					
Issued share capital ('000)	*603,161*	*603,161*	*603,161*	*603,161*	*603,161*
Issued share capital plus employee options ('000)	*604,376*	*604,376*	*604,376*	*604,376*	*604,376*
Net Asset Value per share	*£*	*£*	*£*	*£*	*£*
Basic Net Asset Value per share	*1.102*	*1.162*	*1.102*	*1.102*	*1.102*
Diluted Net Asset Value per share	*1.100*	*1.160*	*1.100*	*1.100*	*1.100*

1 EPRA NTA and EPRA NDV reflect IFRS values which are net of purchaser's costs. Any purchaser's costs deducted from the market value, are added back when calculating EPRA NRV.

10. DIVIDENDS PAID

	Group and Company	
	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Interim dividend of 1.25 pence per ordinary share in respect of the quarter ended 31 December 2018	–	7,536
Interim dividend of 1.25 pence per ordinary share in respect of the quarter ended 31 March 2019	–	7,536
Interim dividend of 1.25 pence per ordinary share in respect of the quarter ended 30 June 2019	–	7,536
Interim dividend of 1.25 pence per ordinary share in respect of the quarter ended 30 September 2019	–	7,540
Interim dividend of 1.25 pence per ordinary share in respect of the quarter ended 31 December 2019	**7,540**	-
	7,540	30,148

No dividends have been declared since the year end.

11. FIXED ASSETS

	Group			**Company**		
Year ended 31 December 2020	**Fixtures and fittings £'000**	**Computer equipment £'000**	**Total £'000**	**Fixtures and fittings £'000**	**Computer equipment £'000**	**Total £'000**
Costs						
As at 1 January 2020	**490**	**266**	**756**	**490**	**193**	**683**
Additions	**–**	**72**	**72**	**–**	**26**	**26**
As at 31 December 2020	**490**	**338**	**828**	**490**	**219**	**709**
Depreciation						
As at 1 January 2020	**223**	**181**	**404**	**214**	**181**	**395**
Charge for the year	**49**	**41**	**90**	**49**	**10**	**59**
Impairment	**199**	**–**	**199**	**199**	**–**	**199**
As at 31 December 2020	**471**	**222**	**693**	**462**	**191**	**653**
Net book value						
As at 31 December 2020	19	116	135	28	28	56

	Group			Company		
Year ended 31 December 2019	Fixtures and fittings £'000	Computer equipment £'000	Total £'000	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Costs						
As at 1 January 2019	490	181	671	490	181	671
Additions	–	85	85	–	12	12
As at 31 December 2019	490	266	756	490	193	683
Depreciation						
As at 1 January 2019	165	140	305	165	140	305
Charge for the year	58	41	99	49	41	90
As at 31 December 2019	223	181	404	214	181	395
Net book value						
As at 31 December 2019	267	85	352	276	12	288

Notes to the Financial Statements continued

12. INTANGIBLE ASSETS

Year ended 31 December 2020	Group			Company	
	Hello Student® website development £'000	NAVision[1] development £'000	Total £'000	NAVision[1] development £'000	Total £'000
Costs					
As at 1 January 2020	878	1,271	2,149	1,271	1,271
Additions	–	370	370	370	370
As at 31 December 2020	878	1,641	2,519	1,641	1,641
Amortisation					
As at 1 January 2020	339	191	530	191	191
Charge for the year	87	149	236	149	149
Impairment	366	333	699	333	333
As at 31 December 2020	792	673	1,465	673	673
Net book value					
As at 31 December 2020	86	968	1,054	968	968

Year ended 31 December 2019	Group				Company	
	Hello Student® application development £'000	Hello Student® website development £'000	NAVision[1] development £'000	Total £'000	NAVision[1] development £'000	Total £'000
Costs						
As at 1 January 2019	311	878	719	1,597	719	719
Additions	–	–	552	552	552	552
As at 31 December 2019	311	878	1,271	2,149	1,271	1,271
Amortisation						
As at 1 January 2019	311	252	92	344	92	92
Charge for the year	–	87	99	186	99	99
As at 31 December 2019	–	339	191	530	191	191
Net book value						
As at 31 December 2019	–	539	1,080	1,619	1,080	1,080

1. Relates to the development of our accounting system which enables us to bring our revenue management system in-house, see page 29 for detail.

Impairment

Hello Student® website development
During the year we conducted a review of our intangible asset relating to the Hello Student® website. As can be seen on pages 21, we have identified that overhauling our website will be a priority for 2021. As such there was an impairment during the year writing off £366,000 of costs relating to the old website which have been deemed to be obsolete.

NAVision development
During the year we launched our new revenue management system, see page 29 for detail. This new system has provided us with a number of benefits. As a result of the launch of this new release we conducted a review of our intangible asset relating to the NAVision development. It was found that there were a number of costs identified which were for parts of the system no longer in use under the new revenue management system. As such there was an impairment during the year writing off £333,000 of costs relating to the items within the NAVision system which were replaced by the new system.

13. INVESTMENT PROPERTY

Year ended 31 December 2020	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 January 2020	**861,639**	**137,741**	**999,380**	**29,700**	**1,029,080**
Property additions	**3,915**	**352**	**4,267**	**9,376**	**13,643**
Transfer to / from developments	**13,082**	**–**	**13,082**	**(13,082)**	**–**
Change in fair value during the year	**(29,416)**	**(5,944)**	**(35,360)**	**(2,243)**	**(37,603)**
As at 31 December 2020	**849,220**	**132,149**	**981,369**	**23,751**	**1,005,120**

Year ended 31 December 2019	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 January 2019	796,640	132,731	929,371	41,670	971,041
Property additions	4,206	410	4,616	24,247	28,863
Transfer to / from developments	34,441	–	34,441	(34,441)	–
Change in fair value during the year	26,352	4,600	30,952	(1,776)	29,176
As at 31 December 2019	861,639	137,741	999,380	29,700	1,029,080

During the year £4,267,000 (31 December 2019: £5,418,000) of additions related to expenditure were recognised in the carrying value of standing assets.

In accordance with IAS 40, the carrying value of investment property is their fair value as determined by independent external valuers. This valuation has been conducted by CBRE Limited, as external valuer, and has been prepared as at 31 December 2020, in accordance with the Appraisal & Valuation Standards of the 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 includes assumptions regarding income expectations and yields that investors would expect to achieve on those assets over time. Many external economic and market factors, such as interest rate expectations, bond yields, the availability and cost of finance and the relative attraction of property against other asset classes, could lead to a reappraisal of the assumptions used to arrive at current valuations. In adverse conditions, this reappraisal can lead to a reduction in property values and a loss in Net Asset Value.

The table below reconciles between the fair value of the investment property per the Consolidated Group Statement of Financial Position and investment property per the independent valuation performed in respect of each year end.

	Group: As at 31 December 2020 £'000	As at 31 December 2019 £'000
Value per independent valuation report	**1,004,651**	1,028,610
Add:	**1,004,651**	1,028,610
Head lease	**469**	470
Fair value per Group Statement of Financial Position	**1,005,120**	1,029,080

Fair Value Hierarchy

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

Date of valuation 31 December 2020	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	**986,899**	**–**	**–**	**986,899**
Commercial properties	**18,221**	**–**	**–**	**18,221**
As at 31 December 2020	**1,005,120**	**–**	**–**	**1,005,120**

Date of valuation 31 December 2019	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	1,004,450	–	–	1,004,450
Commercial properties	24,160	–	–	24,160
As at 31 December 2019	1,028,610	–	–	1,028,610

Notes to the Financial Statements continued

13. INVESTMENT PROPERTY continued
There have been no transfers between Level 1 and Level 2 during the year, nor have there been any transfers between Level 2 and Level 3 during the year.

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:

(a) Unobservable input: Rental income
The rent at which space could be let in the market conditions prevailing at the date of valuation. Range £95 per week–£357 per week (31 December 2019: £97–£347 per week).

(b) Unobservable input: Rental growth
The estimated average increase in rent based on both market estimations and contractual arrangements. Assumed growth of 1.48% used in valuations (31 December 2019: 3.55%).

(c) Unobservable input: Net initial yield
The net initial yield is defined as the initial gross income as a percentage of the market value (or purchase price as appropriate) plus standard costs of purchase.
Range: 4.45%–8.50% (31 December 2019: 4.50%–7.25%).

(d) Unobservable input: COVID rent deduction
The valuation as of 31 December 2020 includes a £21,439,000 capital deduction to the valuation to reflect the impact of COVID-19 on the valuations. This deduction is made up of two parts.

1 – A 75% deduction (to reflect the period from 1 January to September) of the difference between expected gross income (if unaffected by COVID-19) and actual predicted income for AY2020/21.
2 – A 10% reduction to actual income from AY2020/21 to reflect any potential future refunds.

This is based on CBRE's view that AY2021/22 is going to be an unaffected year and therefore requires no capital deduction relating to COVID-19.

(e) Unobservable input: Physical condition of the property

(f) Unobservable input: Planning consent
No planning enquiries undertaken for any of the development properties.

(g) Sensitivities of measurement of significant unobservable inputs
As set out in the significant accounting estimates and judgements, the Group's portfolio valuation is open to judgements and is inherently subjective by nature.

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

As at 31 December 2020	-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 the investment properties	**(40,020)**	**40,060**	**46,340**	**(42,230)**

As at 31 December 2019	-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 the investment properties	(39,190)	39,270	46,520	(42,350)

(h) 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. TRADE AND OTHER RECEIVABLES

	Group		Company	
	31 December 2020 £'000	31 December 2019 £'000	**31 December 2020 £'000**	31 December 2019 £'000
Trade receivables	**2,539**	314	**–**	–
Other receivables	**1,063**	470	**5**	20
Amounts owed by property managers	**6,505**	5,144	**–**	–
Prepayments	**4,157**	4,355	**341**	277
VAT recoverable	**246**	255	**7**	7
	14,510	10,538	**353**	304
Amounts due from Group undertakings	**–**	–	**350,578**	420,006
	14,510	10,538	**350,931**	420,310

Movements on the Group provision for impairment of trade receivable were as follows:

	Group	
	31 December 2020 £'000	31 December 2019 £'000
At 1 January	**(594)**	(593)
(Increase) in provision for receivables impairment	**(855)**	(1)
At 31 December	**(1,439)**	(594)

Provisions for impaired receivables have been included in property expenses in the income statement. Amounts charged to the impairment provision are generally written off, when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the book value of each class of receivable mentioned above and its cash and cash equivalents. The Group does not hold any collateral as security, though in some instances students provide guarantors.

Management believes that the concentration of credit risk with respect to trade receivables is limited due to the Group's customer base being large, unrelated and are living with us. As such we have a high level of communication with them.

At 31 December 2020, there were no material trade receivables overdue at the year end, and no aged analysis of trade receivables has been included. The carrying value of trade and other receivables classified at amortised cost approximates fair value.

The Company performed a review of the expected credit loss on the amounts due from Group undertakings; there was no provision made during the year (2019: £nil).

15. CASH AND CASH EQUIVALENTS

	Group		Company	
	31 December 2020 £'000	31 December 2019 £'000	**31 December 2020 £'000**	31 December 2019 £'000
Cash and cash equivalents	**33,927**	16,517	**24,775**	12,407

16. TRADE AND OTHER PAYABLES

	Group		Company	
	31 December 2020 £'000	31 December 2019 £'000	**31 December 2020 £'000**	31 December 2019 £'000
Trade payables	**3,406**	3,294	**848**	533
Other payables	**1,800**	1,287	**251**	325
Accrued expenses	**9,574**	8,821	**1,072**	1,013
Directors' bonus accrual	**747**	970	**747**	970
	15,527	14,372	**2,918**	2,841
Amounts owed to Group undertakings	**–**	–	**9,548**	9,721
	15,527	14,372	**12,466**	12,562

At 31 December 2020, there was deferred rental income of £20,676,000 (31 December 2019: £29,204,000) 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.

Amounts owed to Group undertakings are interest free and repayable on demand.

Notes to the Financial Statements continued

17. BANK BORROWINGS

A summary of the drawn and undrawn bank borrowings in the year is shown below:

	Group					
	Bank borrowings drawn 31 December 2020 £'000	**Bank borrowings undrawn 31 December 2020 £'000**	**Total 31 December 2020 £'000**	Bank borrowings drawn 31 December 2019 £'000	Bank borrowings undrawn 31 December 2019 £'000	Total 31 December 2019 £'000
At 1 January	**355,000**	**35,000**	**390,000**	330,000	60,000	390,000
Bank borrowings from new facilities in the year	**52,800**	**42,500**	**95,300**	55,500	–	55,500
Bank borrowings drawn in the year	**25,000**	**(25,000)**	**–**	60,000	(25,000)	35,000
Bank borrowings repaid during the year	**(42,800)**	**–**	**(42,800)**	(90,500)	–	(90,500)
At 31 December	**390,000**	**52,500**	**442,500**	355,000	35,000	390,000

The Group has refinanced two facilities, one with AIB for £32.8 million and the second with FCB for £10 million which we also extended to £20 million. In July 2020 we extended our RCF with Lloyds bank from £70 million to £90 million. (2019: a total of £115,500,000 of additional debt was drawn and a total of £90,500,000 was repaid during the year). There is an undrawn RCF debt facility available of £30,000,000 at 31 December 2020 (31 December 2019: £35,000,000). The Group also entered into a development facility with NatWest for £22.5 million during the year. At 31 December 2020 no balance has been drawn down. The weighted average term to maturity of the Group's debt as at the year end is 5.9 years (31 December 2019: 6.6 years).

Bank borrowings are secured by charges over individual investment properties held by certain asset-holding subsidiaries. These assets have a fair value of £952,441,000 at 31 December 2020 (31 December 2019: £879,910,000). In some cases, the lenders also hold charges over the shares of the subsidiaries and the intermediary holding companies of those subsidiaries.

The Company has a £20 million unsecured facility with FCB – see above (2019: £10 million) repayable in more than one year, fully drawn. The balance net of loan arrangement fees carried as at 31 December 2020 was £19,961,000 (31 December 2019: £9,995,000).

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

	Group	
Non-current	**31 December 2020 £'000**	31 December 2019 £'000
Balance bought forward	**312,200**	274,500
Total bank borrowings in the year	**77,800**	115,500
Bank borrowings becoming non-current in the year	**–**	55,500
Less: Bank borrowings becoming current in the year	**–**	(42,800)
Less: Bank borrowings repaid during the year	**–**	(90,500)
Bank borrowings drawn: due in more than one year	**390,000**	312,200
Less: Unamortised costs	**(4,734)**	(5,103)
Bank borrowings due in more than one year	**385,266**	307,097

	Group	
Current	**31 December 2020 £'000**	31 December 2019 £'000
Balance bought forward	**42,800**	55,500
Total bank borrowings in the year	**–**	–
Less: Bank borrowings repaid during the year	**(42,800)**	(55,500)
Bank borrowings becoming current in the year	**–**	42,800
Bank borrowings drawn: due in less than one year	**–**	42,800
Less: Unamortised costs	**–**	(125)
Bank borrowings due in less than one year	**–**	42,675

Maturity of Bank Borrowings

	Group	
	31 December 2020 £'000	31 December 2019 £'000
Repayable between one and two years	**–**	35,000
Repayable between two and five years	**132,800**	–
Repayable in over five years	**257,200**	277,200
Bank borrowings due in more than one year	**390,000**	312,200

Each of the Group's facilities has an interest charge which is payable quarterly. Four of the facilities have an interest charge that is based on a margin above LIBOR whilst the other five facility interest charges are fixed at 3.97%, 3.52%, 3.24%, 3.64% and 3.20%. The weighted average rate payable by the Group on its investment debt portfolio as at the year end was 2.90% (31 December 2019: 3.20%).

18. SHARE CAPITAL

	Group and Company		Group and Company	
	31 December 2020 Number	**31 December 2020 £'000**	31 December 2019 Number	31 December 2019 £'000
Balance brought forward	**603,160,940**	**6,032**	602,887,740	6,029
Share options exercised	**–**	**–**	273,200	3
Balance carried forward	**603,160,940**	**6,032**	603,160,940	6,032

There were no share issues in the year relating to vesting share options. See Note 26 for further details. In the prior year there were two issues, on 2 October 2019 for 120,815 ordinary shares and the other on 26 November 2019 for 152,385 ordinary shares.

19. SHARE PREMIUM

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

	Group and Company	
	31 December 2020 £'000	31 December 2019 £'000
Balance brought forward	**257**	467,268
Share premium cancellation	**–**	(467,268)
Share premium on share options exercised	**–**	257
Balance carried forward	**257**	257

Cancellation

At the AGM on 2 May 2019, shareholders approved a resolution to cancel the Company's share premium account, which stood at £467 million. The court order to confirm the cancellation was received on 4 June 2019, following which the share premium account was cancelled. Cancellation results in this capital being treated as realised profit, giving us the flexibility to declare dividends or make other distributions to shareholders, although there is no current intention to do so.

20. CAPITAL REDUCTION RESERVE

	Group and Company	
	31 December 2020 £'000	31 December 2019 £'000
Balance brought forward	**482,578**	45,458
Less interim dividends declared and paid per Note 10	**(7,540)**	(30,148)
Share premium cancellation	**–**	467,268
Balance carried forward	**475,038**	482,578

The capital reduction reserve account is a distributable reserve.

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

21. LEASING AGREEMENTS

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

	Group	
	31 December 2020 £'000	31 December 2019 £'000
Less than one year	**39,625**	49,278
Between one and two years	**1,169**	3,271
Between two and three years	**1,123**	1,407
Between three and four years	**1,102**	1,361
Between four and five years	**1,042**	1,338
More than five years	**6,269**	9,851
Total	**50,330**	66,506

The above relates to commercial leases and nomination agreements with UK universities in place as at 31 December 2020. The impact of student leases for the forthcoming academic year signed by 31 December 2020 have not been included as the certainty of income does not arise until the tenant takes occupation of the accommodation. As at 31 December 2020, £17,689,000 (31 December 2019: £29,204,000) of the future minimum lease receivables have been received as cash.

22. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2020 (31 December 2019: £nil).

23. CAPITAL COMMITMENTS

The Group had capital commitments relating to developments totalling £11,331,000 at 31 December 2020 (31 December 2019: £31,542,000).

Notes to the Financial Statements continued

24. 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.

Share Capital
There were no share transactions with related parties during the year ended 31 December 2020.

Share-Based Payments
On 8 April 2020, the Company granted nil-cost options over a total of 152,512 (Tim Attlee 80,116 and Lynne Fennah 72,396) ordinary shares pursuant to the deferred shares element of the annual bonus awards for the financial period ended 31 December 2019 (the "Annual Bonus Awards").

Further, and also on 8 April 2020, Lynne Fennah was granted nil-cost options over 511,892 ordinary shares pursuant to the Empiric 2014 Long Term Incentive Plan (the "2017–2020 LTIP Awards") for the 2020 financial year.

On 11 November 2020, Duncan Garrood was granted nil-cost options over 400,000 ordinary shares pursuant to the Empiric 2014 Long Term Incentive Plan (the "2017–2020 LTIP Awards") for the 2020 financial year.

Details of the Director share ownership and dividends received are detailed on page 68.

Details of the shares granted and exercised are outlined in Note 26.

25. SUBSEQUENT EVENTS

On 15 March 2021 the Group sold three properties in Portsmouth for a total of £7.4 million. The sale price was at a premium to the market value as at 31 December 2020.

26. SHARE-BASED PAYMENTS

The Company operates three equity-settled share-based remuneration schemes for Executive Directors under the deferred annual bonus and LTIP. The details of the schemes are included in the Remuneration Committee Report.

Issued
On 8 April 2020, the Company granted nil-cost options over a total of 152,512 (Tim Attlee 80,116 and Lynne Fennah 72,396) ordinary shares pursuant to the deferred shares element of the annual bonus awards for the financial period ended 31 December 2019 (the "Annual Bonus Awards").

Further, and also on 8 April 2020, Lynne Fennah was granted nil-cost options over 511,892 ordinary shares pursuant to the Empiric 2014 Long Term Incentive Plan (the "2017–2020 LTIP Awards") for the 2020 financial year.

On 11 November 2020, Duncan Garrood was granted nil-cost options over 400,000 ordinary shares pursuant to the Empiric 2014 Long Term Incentive Plan (the "2017–2020 LTIP Awards") for the 2020 financial year.

Of the nil-cost options, 206,889 are currently exercisable. The weighted average remaining contractual life of these options was 1.7 years (2019: 1.7 years).

During the year to 31 December 2020 the amount recognised relating to the options was £29,000 (2019: £164,000).

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.

	31/12/2020	*31/12/2019*	*31/12/2018*	*31/12/2017*	*31/12/2016*
Outstanding number brought forward	***1,250,045***	*1,051,708*	*1,477,817*	*3,913,420*	*2,880,391*
Granted during the period	***1,064,494***	*604,134*	*439,022*	*207,198*	*1,033,029*
Vested and exercised during the period	–	*(129,253)*	*(139,325)*	*(691,237)*	–
Lapsed during the period	–	*(276,544)*	*(725,806)*	*(1,951,564)*	–
Outstanding number carried forward	***2,314,539***	*1,250,045*	*1,051,708*	*1,477,817*	*3,913,420*

The fair value on date of grant for the nil-cost options under the 2018-21 LTIP Awards and Annual Bonus Awards were priced using the Monte Carlo pricing model.

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

	Annual Bonus Award
(a) Weighted average share price at grant date of	*£0.68*
(b) Exercise price of	*£nil*
(c) Contractual life of	*3 years*
(d) Expected volatility of	*34.12%*
(e) Expected dividend yield of	*0.00%*
(f) Risk-free rate of	*0.55%*
(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	

27. 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 Company and 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 Company and Group that are affected by market risk are principally the Company and Group bank balances along with the interest rate derivatives (swap and cap) entered into to mitigate interest rate risk.

(b) Credit Risk

Credit risk is the risk of financial loss to the Company and Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company and Group is exposed to credit risks from both its leasing activities and financing activities, including deposits with banks and financial institutions.

The Group has established a credit policy under which each new tenant is assessed based on an extensive credit rating scorecard at the time of entering into a lease agreement.

The Group's review includes external rating, when available, and in some cases bank references.

The Group determines concentrations of credit risk by monthly monitoring the creditworthiness rating of existing customers and through a monthly review of the trade receivables' ageing analysis.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "B" are accepted.

Further disclosures regarding trade and other receivables, which are neither past due nor impaired, are provided in Note 14.

(i) Tenant Receivables

Tenant receivables, primarily tenant rentals, are presented in the Group 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 year end.

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

One of the principal credit risks of the Company and 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, which are committed lenders to the Company and Group, with high credit ratings assigned by international credit rating agencies.

Credit ratings (Moody's)	*Long-term*	*Outlook*
AIB Group	*Baa2*	*Stable*
Canada Life	*Aa3*	*Stable*
Mass Mutual	*Aa3*	*Negative*
Scottish Widows	*A2*	*Positive*
Lloyds Bank Plc	*A3*	*Stable*

(c) Liquidity Risk

Liquidity risk arises from the Company and Group 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 Company and Group will encounter difficulty in meeting their financial obligations as they fall due as the majority of the Company and Group assets are property investments and are therefore not readily realisable. The Company and Group objective is to ensure they have sufficient available funds for their operations and to fund their capital expenditure. This is achieved by continuous monitoring of forecast and actual cash flows by management.

Notes to the Financial Statements continued

27. FINANCIAL RISK MANAGEMENT continued

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

	Group					
	On demand £'000	**Less than 3 months £'000**	**3 to 12 months £'000**	**1 to 5 years £'000**	**> 5 years £'000**	**Total £'000**
At 31 December 2020						
Bank borrowings and interest	**–**	**3,021**	**9,063**	**199,749**	**283,925**	**495,758**
Trade and other payables	**–**	**15,527**	**–**	**–**	**–**	**15,527**
	–	**18,548**	**9,063**	**199,749**	**283,925**	**511,285**

	Group					
	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	> 5 years £'000	Total £'000
At 31 December 2019						
Bank borrowings and interest	–	13,101	41,801	149,450	317,287	521,639
Trade and other payables	–	14,372	–	–	–	14,372
	–	27,473	41,801	149,450	317,287	536,011

	Company					
	On demand £'000	**Less than 3 months £'000**	**3 to 12 months £'000**	**1 to 5 years £'000**	**> 5 years £'000**	**Total £'000**
At 31 December 2020						
Bank borrowings and interest	**–**	**96**	**289**	**20,447**	**–**	**20,832**
Trade and other payables	**–**	**2,918**	**–**	**–**	**–**	**2,918**
	–	**3,014**	**289**	**20,447**	**–**	**23,750**

	Company					
	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	> 5 years £'000	Total £'000
At 31 December 2019						
Bank borrowings and interest	–	10,045	–	–	–	10,045
Trade and other payables	–	2,841	–	–	–	2,841
	–	12,886	–	–	–	12,886

28. CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are 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.

29. SUBSIDIARIES

Those subsidiaries listed below are considered to be all subsidiaries of the Company at 31 December 2020, with the shares issued being ordinary shares. All subsidiaries are registered in London at the following address: 6th Floor, Swan House, 17-19 Stratford Place, London, England, W1C 1BQ.

In each case the country of incorporation is England and Wales.

	Company	
	31 December 2020 £'000	31 December 2019 £'000
As at 1 January	**81,686**	8,623
Additions in the year	**106,215**	73,063
Disposals	**(303)**	–
Balance at 31 December	**187,598**	81,686

During the current year and prior year there were a number of subsidiaries which moved around the Group, due to reorganisations relating to debt; these were all non-cash movements whereby plc forgave intercompany debt owned by subsidiaries in return for the issue of further shares.

Company	*Status*	*Ownership*	*Principal activity*
Brunswick Contracting Limited	Active	100%	Property Contracting
Empiric (Alwyn Court) Limited	Active	100%	Property Investment
Empiric (Baptists Chapel) Limited	Active	100%	Property Investment
Empiric (Bath Canalside) Limited	Active	100%	Property Investment

29. SUBSIDIARIES continued

Company	*Status*	*Ownership*	*Principal activity*
Empiric (Bath James House) Limited	Active	100%	Property Investment
Empiric (Bath JSW) Limited	Active	100%	Property Investment
Empiric (Bath Oolite Road) Limited	Active	100%	Property Investment
Empiric (Bath Piccadilly Place) Limited	Active	100%	Property Investment
Empiric (Birmingham Emporium) Limited	Active	100%	Property Investment
Empiric (Birmingham) Limited	Active	100%	Property Investment
Empiric (Bristol St Mary's) Limited	Active	100%	Property Investment
Empiric (Bristol St Mary's) Leasing Limited	Dormant	100%	Property Leasing
Empiric (Bristol) Leasing Limited	Dormant	100%	Property Leasing
Empiric (Bristol) Limited	Active	100%	Property Investment
Empiric (Buccleuch Street) Limited	Active	100%	Property Investment
Empiric (Canterbury Franciscans) Limited	Active	100%	Property Investment
Empiric (Canterbury Pavilion Court) Limited	Active	100%	Property Investment
Empiric (Cardiff Wndsr House) Leasing Limited	Dormant	100%	Property Leasing
Empiric (Cardiff Wndsr House) Limited	Active	100%	Property Investment
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%	Development Management
Empiric (Durham St Margarets) Limited	Active	100%	Property Investment
Empiric (Edge Apartments) Limited	Active	100%	Property Investment
Empiric (Edinburgh KSR) Limited	Active	100%	Property Investment
Empiric (Edinburgh KSR) Leasing Limited	Active	100%	Property Leasing
Empiric (Exeter Bishop Blackall School) Limited	Active	100%	Property Investment
Empiric (Exeter Bonhay Road) Leasing Limited	Dormant	100%	Property Leasing
Empiric (Exeter Bonhay Road) Limited	Active	100%	Property Investment
Empiric (Exeter City Service) Limited	Active	100%	Property Investment
Empiric (Exeter DCL) Limited	Active	100%	Property Investment
Empiric (Exeter Isca Lofts) Limited	Active	100%	Property Investment
Empiric (Exeter LL) Limited	Active	100%	Property Investment
Empiric (Falmouth Maritime Studios) Limited	Active	100%	Property Investment
Empiric (Falmouth Ocean Bowl) Limited	Active	100%	Property Investment
Empiric (Falmouth Ocean Bowl) Leasing Limited	Active	100%	Property Leasing
Empiric (Glasgow Ballet School) Limited	Active	100%	Property Investment
Empiric (Glasgow Bath St) Limited	Active	100%	Property Investment
Empiric (Glasgow George Square) Leasing Limited	Dormant	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) 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
Empiric (Leeds Algernon) Limited	Active	100%	Property Investment
Empiric (Leeds Mary Morris) Limited	Active	100%	Property Investment
Empiric (Leeds Pennine House) Limited	Active	100%	Property Investment
Empiric (Leeds St Marks) Limited	Active	100%	Property Investment
Empiric (Leicester 134 New Walk) Limited	Active	100%	Property Investment
Empiric (Leicester 136-138 New Walk) Limited	Active	100%	Property Investment
Empiric (Leicester 140-142 New Walk) Limited	Active	100%	Property Investment
Empiric (Leicester 160 Upper New Walk) Limited	Active	100%	Property Investment
Empiric (Leicester Bede Park) Limited	Active	100%	Property Investment
Empiric (Leicester De Montfort Square) Limited	Active	100%	Property Investment
Empiric (Leicester Hosiery Factory) Limited	Active	100%	Property Investment
Empiric (Leicester Peacock Lane) Limited	Active	100%	Property Investment
Empiric (Leicester Shoe & Boot Factory) Limited	Active	100%	Property Investment
Empiric (Leicester West Walk) Limited	Dormant	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 (Liverpool Hahnemann Building) Limited	Active	100%	Property Investment
Empiric (Liverpool Octagon/Hayward) Limited	Active	100%	Property Investment
Empiric (London Camberwell) Limited	Active	100%	Property Investment
Empiric (London Francis Gardner) Limited	Active	100%	Property Investment
Empiric (London Road) Limited	Active	100%	Property Investment

Notes to the Financial Statements continued

29. SUBSIDIARIES continued

Company	*Status*	*Ownership*	*Principal activity*
Empiric (Manchester Ladybarn) Limited	Active	100%	Property Investment
Empiric (Manchester Victoria Point) 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) Limited	Active	100%	Property Investment
Empiric (Nottingham Frontage) Leasing Limited	Dormant	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) Limited	Active	100%	Property Investment
Empiric (Portsmouth Elm Grove Library) Limited	Active	100%	Property Investment
Empiric (Portsmouth Europa House) Leasing Limited	Active	100%	Property Leasing
Empiric (Portsmouth Europa House) Limited	Active	100%	Property Investment
Empiric (Portsmouth Kingsway House) Limited	Active	100%	Property Investment
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 (Reading Saxon Court) Leasing Limited	Active	100%	Property Leasing
Empiric (Reading Saxon Court) 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 (Southampton Emily Davies) 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) Limited	Active	100%	Property Investment
Empiric (Stirling Forthside) Leasing Limited	Dormant	100%	Property Leasing
Empiric (Stirling Forthside) Limited	Active	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) Limited	Active	100%	Property Investment
Empiric (Twickenham Grosvenor Hall) Limited	Active	100%	Property Investment
Empiric (York Foss Studios 1) Limited	Active	100%	Property Investment
Empiric (York Lawrence Street) Limited	Active	100%	Property Investment
Empiric (York Percy's Lane) Limited	Active	100%	Property Investment
Empiric Acquisitions Limited	Active	100%	Immediate Holding Company
Empiric Investment Holdings (Five) Limited	Active	100%	Holding Company
Empiric Investment Holdings (Four) Limited	Active	100%	Holding Company
Empiric Investment Holdings (Six) Limited	Active	100%	Holding Company
Empiric Investment Holdings (Three) Limited	Active	100%	Holding Company
Empiric Investment Holdings (Two) Limited	Active	100%	Holding Company
Empiric Investments (Five) Limited	Active	100%	Immediate Holding Company
Empiric Investments (Four) Limited	Active	100%	Immediate Holding Company
Empiric Investments (One) Limited	Active	100%	Immediate Holding Company
Empiric Investments (Six) Limited	Active	100%	Immediate Holding Company
Empiric Investments (Three) Limited	Active	100%	Immediate Holding Company
Empiric Investments (Two) Limited	Active	100%	Immediate Holding Company
Empiric Investments (Seven) Limited	Dormant	100%	Immediate Holding Company
Empiric Investment Holdings (Seven) Limited	Dormant	100%	Holding Company
Empiric Student Property Trustees Limited	Active	100%	Trustee of EBT
Empiric (Edinburgh South Bridge) Limited	Active	100%	Property Investment
Hello Student® Management Limited	Active	100%	Property Management

Definitions

Adjusted EPS – Adjusted earnings per share is a performance measure used by the Board to assess the Group's dividend payments. Licence fees, development rebates, rental guarantees and cumulative gains made on disposals of assets are added to EPRA earnings on the basis noted below as the Board sees these cash flows as supportive of dividend payments. This is then divided by the weighted average number of ordinary shares outstanding during the period (refer to Note 8).

ANUK – Accreditation Network UK is a central resource for tenants, landlords and scheme operators interested in accreditation of private rented housing.

Average Interest Cost – The weighted interest cost of our drawn debt portfolio at the balance sheet date.

Average term of debt – The weighted average term of our debt facilities at the balance sheet date.

Basic EPS – The earnings attributed to ordinary shareholders divided by the weighted average number of ordinary shares outstanding during the period (refer to Note 8).

Colleague Engagement – KPI – Non-IFRS measure – Calculated as per the results of our biannual colleague engagement surveys.

Company – Empiric Student Property plc.

Customer Happiness – KPI – Non-IFRS measure – Calculated per the results of our biannual customer surveys.

Dividend Cover – Adjusted earnings divided by dividend paid during the year.

EPRA – European Public Real Estate Association.

EPRA EPS – Reported on the basis recommended for real estate companies by EPRA (refer to Note 8).

EPRA NAV – EPRA NAV is calculated as net assets per the Consolidated Statement of Financial Position excluding fair value adjustments for debt-related derivatives (refer to Note 9).

EPRA Net Disposal Value ("NDV") – Represents the shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax. As the Group is a REIT, no adjustment is made for deferred tax.

EPRA Net Reinvestment Value ("NRV") – Assumes that entities never sell assets and aims to represent the value required to rebuild the entity.

EPRA Net Tangible Assets ("NTA") – Assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax.

EU – European Union.

Executive Team – The Executive Directors made up of the CEO and CFO/COO.

GHG – Greenhouse gas.

Gross Asset Value or GAV – The total value of the Group's wholly owned property portfolio (refer to Note 13).

Gross rent – The total rents achievable if the portfolio was 100% occupied for an academic year.

Gross margin – Gross profit expressed as a percentage of rental income.

Group – Empiric Student Property plc and its subsidiaries.

Hello Student® platform – Our customer-facing brand and operating system which we operate all of our buildings under.

HE – Higher education.

HMO – Homes of multiple occupants.

IASB – International Accounting Standards Board.

IFRS – International Financial Reporting Standards.

IPO – The Group's Initial Public Offering in June 2014.

LIBOR – London interbank offered rate.

Loan-to-value or LTV – A measure of borrowings used by property investment companies calculated as total drawn borrowings, net of cash and fixed term deposits, as a percentage of Gross Asset Value (refer to Notes 13 and 17).

Net Asset Value or NAV – Net Asset Value is the net assets in the Statement of Financial Position attributable to ordinary equity holders.

Non-PID – Non-property income distribution.

PBSA – Purpose Built Student Accommodation.

PID – Property income distribution.

RCF – Revolving credit facility.

Rebooker Rate – KPI – Non-IFRS measure – Calculated as the percentage of students staying with us in the previous year who chose to stay living with us for another academic year.

REIT – Real estate investment trust.

Revenue Occupancy – KPI – Non-IFRS measure – Calculated as the percentage of our Gross Annualised Revenue we have achieved for an academic year.

RICS – Royal Institution of Chartered Surveyors.

Safety – Number of accidents – KPI – Non-IFRS measure – Calculated as the number of RIDDOR accidents reported to the Health and Safety Executive.

Senior Leadership Team – The senior management team which sits beneath the Executive Team and is made up of the six department heads.

The Code – UK Code of Corporate Governance, as published in 2018.

Total Return ("TR" or "TAR").

Total Shareholder Return – Share price growth with dividends deemed to be reinvested on the dividend payment date.

UKLA – United Kingdom Listing Authority.

Company Information and Corporate Advisers

Company Registration Number: 08886906
Incorporated in the UK
(Registered in England)

Empiric Student Property plc is a public company limited by shares

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Duncan Garrood (Chief Executive Officer)
Lynne Fennah (Chief Financial and Operating Officer)
Jim Prower (Non-Executive Director)
Stuart Beevor (Non-Executive Director)
Alice Avis (Non-Executive Director)

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