ESP

Safe, homely and modern living spaces

Strategic Report

ESP

Our approach

Customer proposition

We provide fully serviced, modern but characterful student homes, that are safe and convenient, within a friendly and supportive community environment

Long-term success and stakeholder value

We create long-term sustainable value for all our stakeholders

Guided by our purpose and mission

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

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

and underpinned by our culture and ESG approach

Responsibility

We are inclusive and thoughtful about ESG, embedding throughout our business and strategy, thereby creating long-term sustainable value for all our stakeholders

Culture

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

delivering sustainable value

Highlights

> *We are seeing improving trends in demand and occupancy for 2022/23 academic year with bookings to date broadly returning to pre-COVID-19 levels. We are increasingly encouraged by the outlook for our business and the wider sector.*

Financial

Revenue

£56.0m

(2020 — £59.4m Change — (6)%

Gross Margin (%)¹

58.8%

2020 — 61.9% Change — (5)%

Adjusted Earnings Per Share ¹

1.65p

2020 — 2.30p Change — (28)%

Property Valuation

£1,022m

2020 — £1,005m Change — 2%

Net Asset Value Per Share (p)

107.4p

2020 — 105.0p Change — 2%

Total Return (%) ¹

4.6%

2020 — (3.6) Change — (228)%

Loan to Value (%) ¹

33.1%

2020 — 35.4% Change — (6)%

Operational

Throughout the pandemic, we have taken a supportive approach to our students' situation, granting later check-ins, deferments, cost-free cancellations and refunds. Online reviews suggest this has helped enhance our brand reputation and drive future customer acquisition.

– 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. We expect this to deliver annualised cost savings of about £1.5 million per annum from September 2021 onwards as well as increase customer acquisition and revenue.

– We established an ESG Committee at Board level and undertook a detailed materiality assessment deriving our four key pillars which we will focus on.

– We are announcing our net zero target of no later than 2035 after completing a detailed assessment.

– We continue to make good progress on all five of the key commercial priorities for the Group, which we are confident will further strengthen the Group's position: actively managing our property portfolio; strengthening our brand proposition; driving performance through data analytics; delivering consistently high customer service; and developing our people.

Financial

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

– Sale of four assets for £18 million completed during the year in line with our portfolio realignment strategy, leading to a £1.7 million profit on disposal.

– We were pleased to resume dividend payments in Q4 2021 with a payment of 2.5p. In 2022, we intend to start paying a minimum dividend of 2.5p per share per annum, with a view to increasing this as occupancy levels normalise.

Post year end

– Further sale of five assets completed post year end for proceeds of £27 million in line with our portfolio realignment strategy.

– Purchase of Bristol Market Quarter for £19 million which helps to build out our presence in a key target city.

– As at 2 March 2022 bookings of 36% for the 2022/23 academic year (20% for the 2021/22 academic year as at 16 March 2021).

Strategy in action

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Customers:
Caring for our customers on page 14.

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People and Operations:
Supporting our people on page 16.

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Buildings:
Refurbishing our key assets on page 24.

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1 - Adjusted Performance Measure ("APM") see page 117 for definitions and see Note 8 for definition and calculation of Adjusted Earnings per share. See Note 31 for calculation of remaining APMs.

Chairman's Statement

Driving sustainable value

> *We have made good progress on actively managing our portfolio, with asset sales during the year and an acquisition post year end. We have continued to support our students as well as resuming dividend payments, announcing new Group targets and strengthening our team.*

MARK PAIN

Non-Executive Chairman
2 March 2022

2021 was a difficult year. COVID-19 having had a full 12-month impact on occupancy, and, as a result, our financial performance (see page 30). However, we have made good progress in implementing our strategic priorities laid out last year, we have continued to strengthen our leadership team, and have successfully completed the full insourcing of the business.

Environmental, Social and Governance (“ESG”)

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

During 2020 we created a Board-level ESG Committee, tasked with providing a road map to deliver a significant step change in our approach to ESG.

I am delighted that Lynne Fennah, our experienced CFO and COO, has been appointed our Chief Sustainability Officer, relinquishing her COO role, bringing a real focus to ESG whilst ensuring that we continue to deliver a sustainable business for all stakeholders.

During 2021 we completed our first formal materiality assessment where we identified our four key topics which we will build our ESG Road map around. We can also announce that we will target becoming net zero within our business by 2035 (pages 34 to 41 have more detail on our approach to ESG).

Health and Safety

Health and Safety remains a critical area of attention for your Board. Having insourced our FM activities we have complete control of our health and safety environment. We continue to enhance our monitoring and make our buildings as safe as possible. We continue to focus, in particular, on ensuring that our approach to fire safety takes full cognisance of current and emerging best practice (see page 22 for more detail on health and safety).

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. Our people are extremely important, they are at the heart of our customer proposition and at the core of us living our brand. Our 2021 colleague engagement survey showed engagement scores of 82% as set out on page 22.

Our Colleague Forum, formed of colleagues across the Group, met a number of times during the year to discuss a variety of topics.

Board Appointments and Succession

On 27 September 2021, we announced that Jim Prower would be stepping down from his role as Senior Independent Director of the Company with effect from 1 October 2021, as part of a planned succession process. Jim had served on the Board for over seven years, providing valuable insights and supporting the financial and operational transformation of the Group. The Board has benefitted significantly from his expertise, commitment and wise counsel and Jim leaves with our very best wishes for the future.

On 1 October 2022, Martin Ratchford was appointed to the Board as an independent Non-Executive Director and Chair of the Audit and Risk Committee. Martin brings a wealth of invaluable real estate and finance experience, having held a range of senior finance and leadership roles in a number of UK and International real estate companies.

Also, on 1 October 2022, Alice Avis was appointed Senior Independent Director.

The Board effectiveness review (see page 60 for more details) concluded that the Board and its Committees continued to operate effectively throughout 2021.

Dividends

On 29 October 2021, the Board announced its intention to recommence dividend payments which were suspended in March 2020 due to the uncertainty arising from the COVID-19 pandemic. On 3 December 2021, a payment of 2.5 pence per share was made. The payment comprised the PID distribution requirement of 1 pence per share for the 2019 financial year and 1.5 pence per share for 2020.

Regular dividend payments have been reinstated from 1 January 2022, paid quarterly, fully covered, and progressive in nature. Given our current assessment of our 2021/22 academic year revenue levels, and assuming no further adverse impact from the pandemic, the Board is expecting to pay a minimum dividend of 2.5 pence per share per annum in 2022 with a view to increasing this as occupancy levels normalise.

AGM

Our 2022 AGM will be held on 23 May 2022. Further details about the AGM will be provided in the AGM Notice.

Looking Forward

Whilst near-term uncertainty, caused by the COVID-19 pandemic, remains, we are seeing improving trends in demand and occupancy in our target market. We are making good progress in implementing our revised strategy, our senior leadership team is now fully in place and the operational transformation of the business is now complete. We have recommenced dividend payments, albeit at prudent levels, and remain committed to a policy of progressive, fully covered dividend payments going forward. We remain confident that we have the right proposition, targeted at the right market segment, and can see robust and consistent future growth.

Occupancy levels as at 28 February 2022 for the 2021/22 academic year

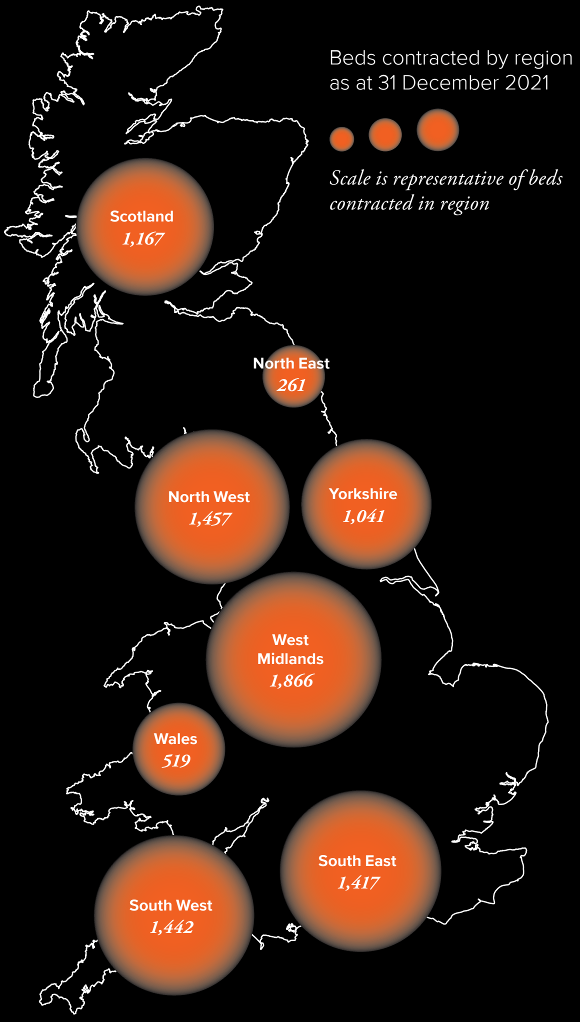
84%

At a Glance

Home from home

Empiric offers students safe and welcoming places where they want to live and we help them thrive, learn and succeed. Our high-quality studio-led properties and customer services are some of the best in the market and our people get to know our students well, so we provide a more responsive service and support students on their journeys. 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 a home from home.

See more on our portfolio in the CEO's Review on page 19.



As at 31 December 2021:

Revenue Generating Assets

87

(31 December 2020: 91)

Cities and Towns

29

(31 December 2020: 29)

Assets Contracted

91

(31 December 2020: 95)

Beds Contracted

9,170

(31 December 2020: 9,396)

Group Key Stats

295
Employees

7
Years in operation

92%
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 prime 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.

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Read more on page 21.

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 2021 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 22; a higher score compared to the NPS benchmarks for private halls of 20. We pride ourselves on high quality customer service and amenities.

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Read more on page 21.

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.

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Read more on page 10.

4

Delivering attractive sustainable shareholder returns

Targeting, when occupancy normalises, a Gross Margin over 70% and a Total Return of 7%-9%.

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Read more on page 12.

5

Socially and Environmentally Responsible

We are a company who is socially and environmentally responsible. We have set an ambitious net zero target of no later than 2035 and have ring fenced capital to invest in ESG projects in the future.

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Read more on page 34.

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.

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Read more on page 26.

A resilient sector

In 2021, the PBSA sector rebounded from the COVID-19 pandemic in a buoyant fashion, driven by the underlying growth in the UK's full-time ("FT") student population. Confidence is returning to the market following reduced low occupancy rates in 2020/21 as learning shifted online and restrictions on travel were implemented due to COVID-19. International mobility has been impacted by the pandemic, but the PBSA sector has remained much more resilient than analysts had initially projected. Domestic students partially filled the void left by international students, while in some markets, certain groups of international students rose to boost overall occupancy rates.

Remote study has worked for many students, although it is a weak substitute for on-campus tuition and the holistic student experience. As a result, PBSA occupancy rates recovered considerably in 2021 as restrictions gradually lifted. At the end of Q3 2021, JLL reported that 90% of beds were leased for the 2021/22 academic year, compared with 83% for the comparative period in 2020/21.

In the year to September 2021, the CBRE PBSA Index reported total returns of 7.7% for the 250 assets in the index; 2.8% higher than in 2020. Capital value growth for PBSA assets recovered from -0.4% in the year to September 2020 to 2.2% in 2021. Notably, capital growth in Super Prime Regional markets grew from 0.3% in the year to September 2020 to 4.7% in the same period to September 2021. The performance gap between the regional markets (Super Prime and Prime) and Central London narrowed. Assets in the capital achieved total returns that were 0.3% higher than those in the regions, a fall from the 2%-4% outperformance seen over the previous four years, mainly due to falling net income return for London assets. Assets in Secondary locations saw capital values fall again in 2021, but not as dramatically as in 2020. The Empiric portfolio is well aligned to the best-performing locations with 92% by value classified as either London, Super Prime Regional or Prime Regional in the December 2021 portfolio valuation, compared with 86% in December 2020.

58%

Only 58% of demand for PBSA is currently being met

The Empiric portfolio is well aligned to the high-growth locations with

92%

by value classified as either London, Super Prime Regional or Prime Regional

1

Strengthening Student Demographics

In UCAS's latest End of Cycle Report, strengthening demand statistics for the 2021 admissions cycle were published. In 2021, 749,570 students applied to higher education institutions in the UK; 20,790 students (+2.9%) higher than 2020. Applications from non-EU domiciled students rose 12.8% to 111,255, somewhat offsetting the significant fall in applications from EU domiciled students, which fell 40.1% to 31,670.

Overall student acceptances fell slightly from a record in 2020, with 562,060 students accepted by higher education institutions, mainly due to a 50% fall in acceptances from EU students. However, only higher tariff providers reported year-on-year growth in acceptances (1.33%), with both medium and lower tariff providers reporting declines of 3.72% and 1.88% respectively.

Following Brexit, the UK left the EU's Erasmus+ scheme in 2020, before which it was the fourth most popular destination for Erasmus+ students. The UK created the "Turing Scheme" as a replacement for UK domiciled students, but the scheme does not provide reciprocal funding for UK inbound placements. Acceptances from UK and non-EU domiciled students rose by 6,605 (+1.4%) and 1,275 (+2.4%) respectively. In 2020, UCAS reported 24% and 35% year-on-year increases in applicants from China and India respectively with growing demand from the USA. This trend continued in 2021, with Chinese applicants growing by a further 4,135 (+15.8%) and India by 1,980 (+21.7%). Demand from overseas students is predicted to continue growing as the appeal of UK higher education institutions strengthens and levels of household wealth in these countries rise. Savills report that between 2021 and 2026, the number of households earning above $70,000 per annum is forecast to grow annually by 13% in China and 24% in India.

Growing domestic demand for places at UK higher education institutions has been fuelled by sustained growth in the UK's 18-year-old population and increasing participation rates. UCAS reports that the proportion of UK domiciled 18-year-olds accepted by UK providers increased from 37% in 2020 to 38% in 2021, the ninth consecutive year-on-year increase. The demographic surge is expected to increase the number of 18-year-olds in the UK by over 160,000 in the next decade. Postgraduate courses are also becoming increasingly popular. HESA report that 468,575 students enrolled on a full-time postgraduate course in the UK in AY 2020/21; 16% higher than the previous year. Enrolments from non-EU domiciled postgraduates also rose by 16%.

Increase in UCAS Applicants for 2021/22 academic year

3%

Student Demographics

	Applicants				*Acceptances*			
Domicile	*2020*	***2021***	*Change*	*% Change*	*2020*	***2021***	*Change*	*% Change*
UK	*577,260*	***606,645***	*29,385*	*5.1*	*485,400*	***492,005***	*6,605*	*1.4*
EU	*52,865*	***31,670***	*-21,195*	*-40.1*	*32,320*	***16,025***	*-16,295*	*-50.4*
Non-EU	*98,660*	***111,255***	*12,595*	*12.8*	*52,755*	***54,030***	*1,275*	*2.4*
Total	*728,785*	***749,570***	***20,785***	***2.9***	***570,475***	***562,060***	***-8,415***	***-1.5***

Source: UCAS End of Cycle Report 2021

2

PBSA Development Pipeline – Constrained Supply

The demand-supply imbalance of high-quality assets in the prime locations market remains. According to research combining HESA 2019/20 data and PBSA supply for 2021/22, only 58% of demand for PBSA is currently being met, 66% including consented pipeline. The UK market has seen development volume recover significantly as students return to campus. Over 30,000 beds were completed in 2021, more than double the 14,000 achieved in 2020, a year in which the pandemic disrupted construction programmes and put many developments on hold. A further 21,000 beds are estimated to be in the pipeline for delivery in time for the 2022/23 academic year. However, in the last five years planning application activity has slowed significantly. In the first seven months of 2021, less than 15,000 were submitted for approval, compared with 32,000 during the same period in 2017. This is partly due to some early adopted markets becoming saturated, reducing opportunities for developers. Some markets have been more popular as developers preempt emerging and increasingly restrictive local planning authority policies. These include affordable housing requirements and location-specific policies intended to control future development. Furthermore, the impacts of Brexit, COVID-19 and inflationary pressure has led to rapidly rising construction costs, raising challenges for developers over the viability of some projects. These factors may compound to restrict the supply of new PBSA beds in 2022, despite the projected demand growth.

Our Market continued

3

Sector Investment – Strong Investor Appetite

Investor appetite continued to be strong throughout 2021, reflected in the year's transactional activity. In the second half of 2021, investors spent over £2.5 billion on UK PBSA, taking total investment volume for the year to £4.4 billion. In 2020, investment reached £5.9 billion, of which Blackstone's acquisition of the IQ portfolio contributed £4.7 billion. Analysis of transaction volume in 2021 shows a much more active market in 2021, with 35% more deals being struck than in 2020 and 6% more than in 2019. The year saw numerous landmark portfolio deals as an influx of overseas capital was drawn to UK PBSA. Most notably, in December 2021, Blackstone and APG acquired the GCP Student Living portfolio for £1.1 billion, reflecting £277,300 per bed across 4,100 beds in 11 assets.

In the 18 months from March 2020, when COVID-19 lockdown restrictions began, pricing held firm at pre-pandemic levels, reflecting the reliance of the sector. With a greater variety and larger weight of capital targeting the sector, the deals in the markets are now reflecting record sharper yields. Subsequently, the year saw some record-breaking single asset deals such as iQ's purchase of 347 beds from Nido in West Hampstead for over £120 million, reflecting a yield of 3.80%. Portfolio deals were prevalent in Super Prime Regional and Prime Regional markets at sharper yields too. Notably, in February 2021, Greystar purchased 2,163 beds from Roundhill for £291 million (4.75%) across five assets in London, Glasgow, Coventry and Bristol and Apollo's purchase of 1,655 from Crown Student for £210 million based in Cardiff, Norwich and Portsmouth reflected a yield of 5.25%. In 2021, Asian investors committed over £400 million to UK PBSA. Greystar continued a trend of portfolio deals in January, securing the acquisition of "Project Jura" from Downing for £365 million. The portfolio of 1,807 beds in London, Manchester and Coventry traded for £202,120 per bed.

4

Market Yields – Best in Class, Direct Let

Market transactions in 2021 have supported yield compressions reported by the leading valuers. CBRE report that between Q4 December 2020 and Q4 December 2021, Best-In-Class Direct Let Central London, Super Prime Regional and Prime Regional yields compressed by 25 basis points, 10 basis points and 25 basis points respectively. After considerable softening in previous years, Secondary Regional yields have stabilised, but remain more polarised from the stronger markets with a risk of further weakening.

In the coming years, more investment is expected to be drawn to the PBSA sector as investors look for stable diversified income returns and counter-cyclical performance in the face of potential economic downturn. With the worst of COVID-19 restrictions widely accepted to be in the past, investors are looking past short-term issues to a growing demand pool. The subsequent growth in demand for high-quality PBSA will continue to outstrip the supply of beds, particularly in the prime market. In addition to this undersupply, ongoing uncertainty and investment risk in other global markets is likely to be a key driver for investment into UK student assets. This also follows a wider trend as institutional investors pivot towards assets in the residential sector.

Market Yields – Best-In-Class, Direct Let

	December 2021		December 2020	
	Current	*Trend*	*Current*	*Trend*
Central London	*3.65%*	*Stronger*	*3.90%*	*Stronger*
Super Prime Regional	*4.65%*	*Stronger*	*4.75%*	*Stronger*
Prime Regional	*5.00%*	*Stronger*	*5.25%*	*Stable*
Secondary Regional	*8.00%*	*Stable*	*8.00%*	*Weaker*

Source: CBRE Student Sector Investment Yields, December 2021.

Business Model

Our business model combines an attractive portfolio of high-quality student homes with an efficient 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 whilst 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 have on average around 100 beds, which helps to foster a more homely, collegiate feeling to living. However, through our clustering strategy we are able to yield the economies of scale which are generated from larger buildings.

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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 compliments 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.

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.

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.

NPS in the Global Student Living Index

+22

Higher than PBSA private hall average +20

Our People

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

Colleague Engagement Score

82%

Shareholders

Shareholders benefit from Total Returns which are underpinned by income and continued rental growth.

Total Return target of

7-9%

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.

Net Carbon Neutral Target

2035

Our Strategy

Continuing to make progress against our strategic objectives.

Strategic area	*Strategic objective*	*Progress in the year*
1. **Customers**	Our customers are at the heart of what we do. We want our customers to have a great experience and stay with us year after year and to recommend us to their friends. We aim to achieve customer satisfaction by building welcoming communities in our homes and by giving our customers a sense of safety, wellbeing and belonging in an environment of high-quality communal areas and facilities. We aim to deliver a friendly personalised service and be there when our customers need us.	– Our net promoter score was +22, compared to PBSA private hall average +20. – Developing our 24-hour, seven-days-a-week, staff cover in all our cities and seeing the benefits which come from this. – We continued to strengthen our relationship with a number of key universities.
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.	– We have undertaken in-depth customer research to understand what is important to them and how we will shape our future brand proposition. – Begun to develop and built a new brand platform that steers how we communicate with our customers, our look and feel and how we deliver our customer experience.
3. **Our People and Operations**	We are committed to making Empiric “a great place to work” and destination of choice for candidates wanting to work in the student accommodation sector; through this we will be able to deliver a high standard of customer service. We will continually enhance our in-house functions and performance coach our colleagues to help them provide the best and most efficient customer service experience.	– We have refreshed our Company values, read more on page 26. – We have provided mental health first aid training to all people managers, read more on page 38. – We received a “One to Watch” rating by the Best Companies survey on our debut rating.
4. **Building**	We will maximise the value from the asset portfolio by actively managing the portfolio to recycle capital and to improve returns and sustainability. This is achieved by maintaining a portfolio of investments with attractive yields and rental growth opportunities.	– We disposed of four non-core assets at a premium to their book value. – We completed two refurbishments in Bristol and Leeds. We achieved this while students remained in residence around the refurbishment site with no disruption. Read more on page 24.
5. **Shareholders**	We want to provide our shareholders with attractive sustainable returns. This is achieved through improving the profitability, performance and size of our portfolio.	– We recommenced the payment of dividends in Q4 2021 with a view to returning to quarterly dividend payments in 2022. – Completed a materiality assessment of our key ESG priorities and have commenced our road map. – The progress achieved in all of the above strategic areas contributes to shareholder returns.

Associated KPIs	*Key aims for 2022*	*Associated risks*
A B C D E	– Roll out a student app so that students can access all services in one place. – Increase customer NPS score even further in 2022.	E1 E2 E4 I1 I2
A B C E F	– Review the design and layout of both the Hello Student® and Empiric corporate website. – Launch a rebranding exercise to ensure that the Hello Student® brand is relevant and appropriate for the coming years.	E1 E2 E4 I1 I2 I4
A B C D E F	– Embed the new Operations Director who joined in January 2022. – Open a new strategic hub in Birmingham where we will embed our support teams.	E1 E2 E4 I1 I2 I4
A B C D E J	– Complete the Bristol St Mary's development, providing an additional 153 beds in the city. – To launch new redevelopment schemes and continue our portfolio review, looking at disposal, refurbishment and acquisition targets.	E1 E2 E5 I4
A B C D G H I	– Continue to deliver on our five key priorities as laid out on pages 18 to 23. – Beyond COVID-19, we are positioned to return to full occupancy and optimise profitability enabling us to resume paying an attractive dividend. For 2022 we are targeting a 2.5p dividend. – We will continue to engage closely with all shareholders.	E1 E2 E3 E4 E5 I1 I2 I3 I4

KPI Links

A. Rebooker Rate
B. Net Promoter Score
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. Revenue Risk
E2. Competition Risk
E3. Property Market Risk
E4. Regulatory Risk
E5. Funding Risk

Internal Risks

I1. Health and Safety Risk
I2. Cyber Security Risk
I3. People Risk
I4. Safe and Sustainable Buildings Risk

Strategy in Action

Customers

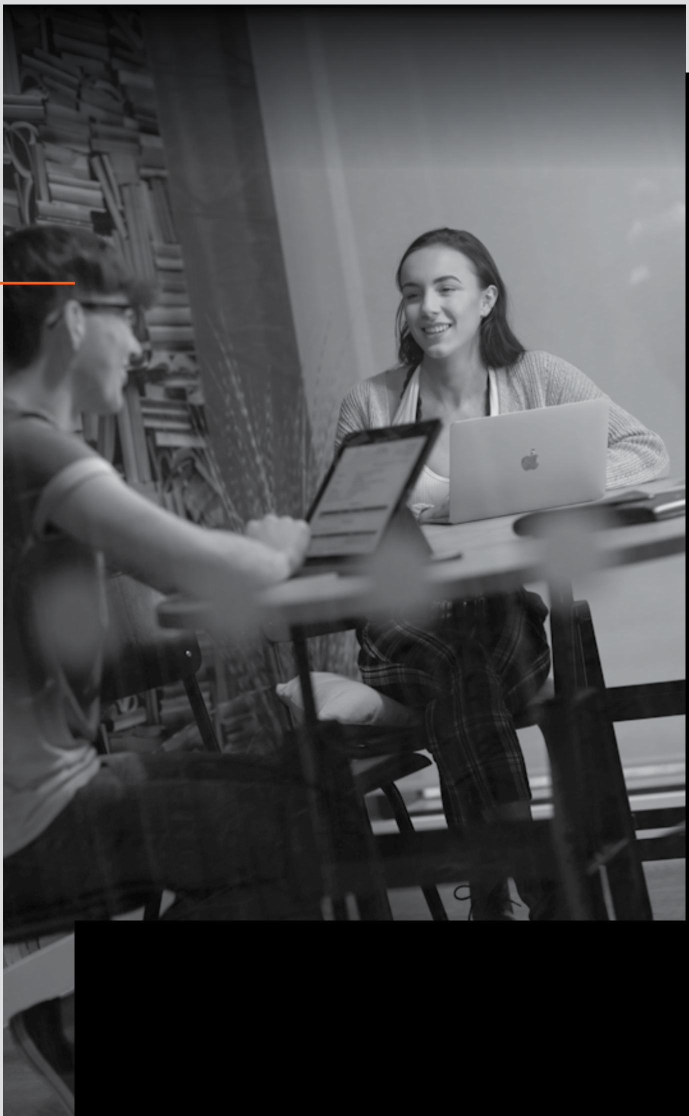
Caring for our customers

Delivering Consistently High Customer Service

The Group undertakes a biannual survey with the Global Student Living Index. The outcome in Q4 was a Net Promoter Score ("NPS") of +22 – slightly lower than spring 2021 (+27) but in line with autumn last year (+21).

82% rated their accommodation positively, in line with private hall and large operator benchmarks (83%). 70% said their accommodation had a positive impact on their wellbeing, an improvement on spring and autumn 2020 (67%). The wellbeing impact score is an encouraging 4 percentage points above the benchmark for UK private halls (66%). 28% said they would be staying in their current accommodation next year, higher than the average for private halls. 77% of students rated their moving-in experience as good or very good, with the highest rating score being the staff welcome. All of these scores were ahead of our peers despite the difficulty COVID-19 has brought.

> *"Customer service is key to retaining customers and ensuring our brand is spread by word of mouth."*



Strategy in Action

Our People and Operations

Supporting our people

Training Our People

Our key focus as a business is providing the best experience for our students. Our people are on the front line of providing that experience and, as such, any investment in our people means happy customers.

We have a dedicated in-house training resource which specialises in ensuring all our people provide great customer service. These skills stay with our people for a lifetime and so will help them through all stages of their career. Despite the challenges posed by COVID-19 we have delivered 120 hours of sales and customer training to our people.

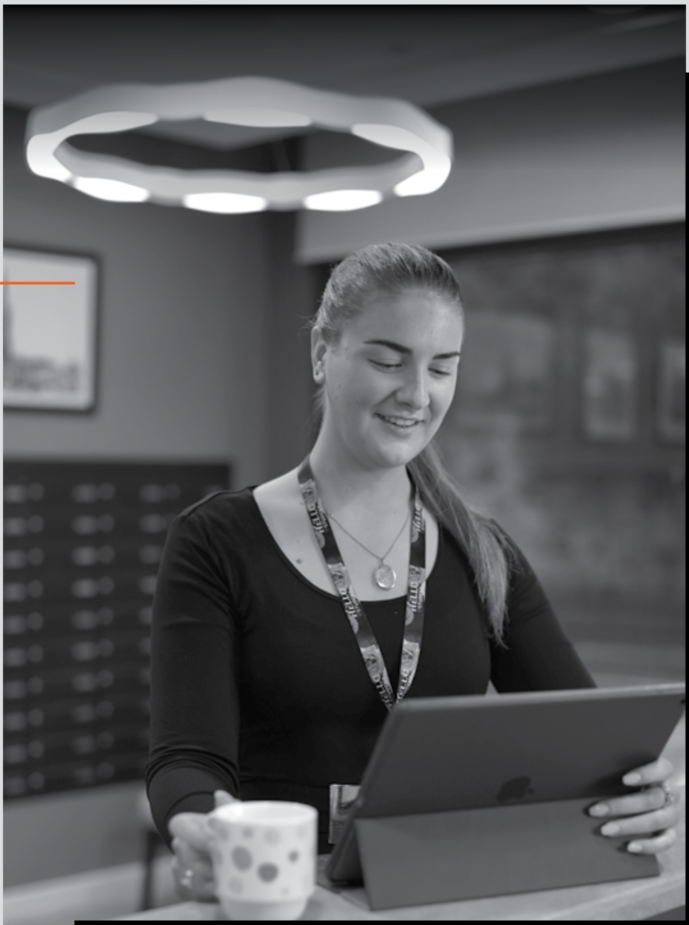
The impact of this training is clear to see in the reviews our students leave across various platforms. We have selected two examples here out of the many we read.

> *Moved in here three months ago and really glad I chose this place. The location couldn't have been better, given the proximity to the city centre as well as uni. The staff is super sweet and friendly, always a delight to chat with, and they've gone above and beyond their duties to ensure our comfort and safety. Barring the ongoing COVID-19 situation, they organise events and socials so I think that's cool. Overall, the facilities and everything about this place has fairly exceeded my expectations so there's no complaints so far. Oh, and the best part? Free coffee in the common room!*

RESIDENT -
York Foss Studios

> *Perfect location within a short walk to town, the uni and the beaches. Incredible staff who are on-site most days, no issue is too big or small, there is always someone to help, whether that's a maintenance issue or just for someone to talk to. Best accommodation I've stayed in, this is one of the reasons why I rebooked.*

RESIDENT -
Ocean View



Throughout the pandemic we continued to ensure our training schedule was unaffected, delivering training through video conferences.

Chief Executive Officer's Review

Delivering our strategic priorities

> *We have made good progress executing our strategy through investment in our people, customers, assets and systems, despite the challenges of the pandemic.*

DUNCAN GARROOD

Chief Executive Officer
2 March 2022

Throughout the year, we remained committed to supporting and doing the right thing by each student on a case-by-case basis, focusing on health and safety, whilst also protecting the long-term value of the Group, even though 2021 brought further challenging times as the pandemic continued to disrupt many students' education plans.

In March 2021, we identified five key priorities that would drive value for shareholders:

Driving performance to improve shareholder returns

Five Key Priorities

1.
Actively Managing the Property Portfolio

2.
Strengthening our Brand Proposition

3.
Driving Performance through Data Analytics

4.
Delivering Consistent Customer Service

5.
Developing Our People

An overriding focus that spans everything we do is the safety and wellbeing of our colleagues, customers, communities and stakeholders, and we have devoted significant resources to ensure this is the case.

I will expand on this, as we look at the progress of each of these priorities in turn:

Actively Managing the Property Portfolio

As at 31 December 2021, we owned or were committed to owning 91 assets with 9,170 beds (31 December 2020: 95 assets, representing 9,396 beds). Of these, 87 were revenue-generating assets, with 8,543 beds (31 December 2020: 91 were revenue-generating assets, with 8,887 beds).

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 have updated our fire risk and mitigation strategies throughout our estate, and where appropriate that includes undertaking detailed External Wall Surveys. Such surveys will ensure any potential risks are clearly identified and are being undertaken by highly experienced professional teams and, where necessary, qualified experts. Should remedial actions be identified as necessary, these are being addressed. In our interim results, we previously advised that we planned to spend £30 million on fire safety works in our buildings. However, we are uncertain how much we will recover from developers so we have increased this estimate to £37 million.

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 2021, the portfolio was valued at £1,022 million, an increase of 2% from prior year (31 December 2020: £1,005 million). See valuation bridge on page 32 which details the breakdown of the fair value movement in the year.

Property Portfolio Management

As described last year, 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 have made good progress disposing of non-core assets, and to date we have sold £45 million of these, which on aggregate have sold above book value.

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, where we have identified £44 million of refurbishment capex to be spent over five years. This spend will be subject to a hurdle rate of 9%-11% IRR. During the year, we completed two pilot refurbishment schemes to upgrade rooms, both of which were successfully completed and achieved target IRR. As a result, we have drawn up plans to roll out the refurbishment programme and will make progress on this in 2022.

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

Total operational beds

March 2022

8,391

Academic Year 2022/23

8,603

Chief Executive Officer's Review continued

> *We help build futures by providing the best and safest buildings, environments and support for our students to study and flourish. We continuously focus on improving our offer.*

As a refresher on the portfolio segmentation:

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

Segment B comprises 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 9%-11% IRRs hurdle rate. The objective is to eliminate this segment over a five-year period.

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 comprises sites ideally suited to first-year UK students (who are not core Hello Student® customers). However, with nomination agreements for these sites, they represent attractive commercial propositions. Should this not be possible for any reason, they could be disposal targets, as has already been identified for one site.

The second sub-category comprises 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. In 2022 or 2023 we will be trialling 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 comprises properties that currently represent approximately 8% of the value of our portfolio, which for various reasons no longer remain core. The disposal programme has realised £45 million in gross proceeds so far, and we remain confident that the remaining properties will be sold over the course of the next 18 months, after which segment D will no longer exist.

Proceeds from disposal are being 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.

Developments and Redevelopments

Work is progressing well at St Mary's Hospital in Bristol which will be completed in time to operate for the 2022/23 academic year.

Due to COVID-19 we paused two projects, a development in Canterbury called Franciscans, and a refurbishment in Edinburgh called Southbridge. The latter is now scheduled to begin construction in 2022.

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.

Portfolio Growth Strategy

As we release cash through the disposal programme, reinvestment will take place in two separate ways. Firstly, there is the capex deployment as identified above to bring our existing portfolio to standard, and secondly there is the development or acquisition of new bed stock. We have undertaken a strategic review of growth locations and will invest in growing bed stock in those cities with Russell Group, or closely adjacent to Russell Group, Universities, where international student participation is targeted for growth over the next ten years or longer.

Development Pipeline

Site	*Development basis*	*Beds*	*Delivery year*
St Mary's, Bristol	Direct Development	153	2022
Southbridge, Edinburgh	Major refurbishment/development	59	2022
Francis Gardner, London	Major refurbishment/development	72	TBC
FISC, Canterbury	Major refurbishment/development	134	TBC

> “*University is a time for making new friends, learning new things and having new experiences. Experiences that create memories to last a lifetime. And Hello Student is more than just a home from home, we’re basecamp for your next adventure.*”

We will drive operational efficiencies through acquiring or developing new sites in these cities that are close to well-located existing sites. This clustering strategy delivers the benefits of scale of additional beds, whilst maintaining the personalised service and positioning requirements of being a Hello Student® property, with that key homely boutique feel.

Strengthening Our Brand Proposition (including Our Sustainability 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. In 2021 we undertook extensive qualitative and quantitative customer research which is informing our plans, especially on executing the digital customer journey where we are working on an overhaul of our website and communications.

Our Hello Student® brand has good awareness and reputation, and we have used the customer insight to refine its proposition.

Its execution in the various media we use to communicate will be revisited to ensure we have the right reach in the right channels. 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 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. As such, ESG is not just a corporate requirement for us, it is a customer necessity. We have covered this key area in a major section of this Annual Report on pages 34 to 40. Suffice to say it is driven by a wish to inspire colleagues, customers and investors.

Driving Performance through Data Analytics

Our Hello Hub operating platform has given us a complete in-house solution to managing our own revenues. Not only do we have the technical systems in place, with the help of experts in this field we have completely revised our revenue management processes, accountabilities and now systemised our dynamic pricing approach. Algorithms have been written, data management expertise has been brought in-house, and this is being used for the first time to take weekly pricing decisions, enabling us to improve rental yields over time.

As an example, we used our data analytics on a slow to fill city, finding that our room categorisation was too complicated, not understood by potential customers, and as a result they abandoned their search with Hello Student® and went to competitors. Changes were made to simplify room types and their digital route to market, and within two weeks this city grew their occupancy over 50% more than the average occupancy growth across the portfolio.

Dynamic pricing gives 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. The use of data is now giving us the best possible direct control of room categorisation and price setting, informed by real-time sales and competitor data.

Delivering Consistent Customer Service

Since foundation, the Company has been on a service journey. Until relatively recently, it was largely outsourced with relatively little direct control over its nature, quality or consistency. Operations were fully brought in-house three years ago, and since then we have been building the people management expertise, and now it is time to really drive a service culture and put customer experience at the heart of what we deliver.

In 2021 we changed our working patterns and introduced 24-hour service at our sites, improving safety and security and customer engagement. Our reception desks are now 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 and only call in experts when more complex maintenance is required.

Service requirements and standards are set through researched customer insight and are measured through satisfaction surveys. In 2021, extensive customer insight has been gathered in order to determine the most important elements, and we have joined the Global Student Living Index in order to benchmark our performance against others. Through this, we get a Net Promoter Score (“NPS”) twice yearly, where we can benchmark progress, areas of shortfall that need addressing, and understand our competitive position.

The most recent result gave us an NPS of +22 which has grown 1 point over the last 12 months, and compares to an all-sector average of -8 and a private halls average of +20. This means we are 2 points above the average for our comparator group competitors, which we need to be in order to earn our premium positioning.

24hr

service at our sites

NPS

+22

against PBSA Private halls average of +20

Chief Executive Officer's Review continued

Colleague Engagement Score

82%

(2020: 83%)

Understanding our customers' growing needs is critical to maintaining competitive edge, and delivering a consistent experience remains the challenge. 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.

Supporting Our Customers

During 2021 we have provided 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 will not just be in place during COVID-19 times but a permanent enhancement of our student wellbeing support.

In addition, we have invested in mental health first aid training for all of our key colleagues, in partnership with MHFA England. Whilst we do not profess to be medical experts, our team are now equipped to identify potential issues and assist students to get the professional support they require, particularly at times of stress such as examinations.

Developing our People

At the heart of any service business are the people that design, support and deliver the customer experience. It has been a key priority in 2021, and will remain so, to invest in our people to ensure we remain at the competitive leading edge providing premium experiences.

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 in, working in or visiting our buildings is kept safe. Our customer insight shows it is the number one priority, by some margin, for our students.

In particular, we have focused on fire safety, ensuring that we are ahead of any legislative changes and that we have risk assessments, qualified surveys, mitigation procedures, checking processes and we invest in prevention and mitigation. To this end, we have allocated £37 million capex over the next five years, to undertake any building changes required.

Our buildings are inspected on a regular basis to ensure that we identify and eliminate hazards. To assess the buildings we have engaged with specialist consultants to undertake thorough assessments of general safety, hazards, fire risks and prevention and water systems and treatment against Legionella.

During 2021 we have undertaken extensive formal health and safety training by the Institute of Occupational Safety and Health ("IOSH") for our teams, from the Board to the front line.

We have delivered a series of Toolbox Talks which are in document and e-learning format, enabling all site teams to have continual access to training.

A Health & Safety Forum has been implemented during 2021 which includes representatives from teams throughout the country.

Investments in People

In January 2020, we appointed a Training & Development Manager to design and deliver programmes to our people for their personal and professional growth, which range from mandatory training for governance to selling and practical skills. We have further enhanced this, with the engagement of an experienced performance improvement coach who is helping the leadership team to improve effectiveness.

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, especially during restrictions from the pandemic, 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.

We increased focus on mandatory training with new measures to track compliance levels and ensure high standards are being achieved. In 2022 we will enhance the 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 recognised the contribution that our front-line operational teams have made to our customers and the business and in 2021, we increased pay to align with the Real Living Wage as our minimum, and we are committed to paying a fair wage for all core roles. We have accreditation from the Real Living Wage Foundation and have undertaken to uphold those standards for years to come.

As in previous years, we have undertaken a colleague engagement survey which achieved a response rate of 64% and an overall colleague engagement score of 82% against the UK all-sector average of 68% and previous year's result of 83%. 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.

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.

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.

Strategy in Action

Buildings

Refurbishing our key assets

Summer Refurbishments

Leeds Pennine House & Bristol College Green

In the summer of 2021 we undertook the first stage of our refurbishment programme as outlined on page 20. This consisted of a refurbishment of 37 beds across two buildings and a refreshing of our communal areas in Leeds. These refurbishments were completed over the summer while students were still in situ within the building with no disruption. The total project cost was £1.5 million with a number of works undertaken which will ensure the second phase of renovations in these buildings can be completed at a lower cost.
The studio suites have been adapted and fully upgraded to include new kitchen, study, bedspace and extended storage facilities. Bathrooms were refreshed, including new shower enclosures, equipment and accessories. All works were carried out to a market-leading standard.

> *“All refurbished rooms are 100% occupied for the 2021/22 academic year.”*

28%

rental uplift achieved on the newly refurbished rooms

A newly renovated room in Leeds Pennine House.

Strategy in Action

Developing Our People

Introducing our new values

We have redefined and relaunched our values from the grassroots up.

On 1 July 2021 we relaunched our values; in developing our values we started with interactive colleague workshops, mainly as face-to-face sessions, delivered at locations across the UK.

Where this was not possible we also ran some virtual sessions, meaning everyone had the opportunity to contribute their ideas. This ranged from colleagues to customers who all had an opportunity to feed into our values. The outputs were then put to the Colleague Forum who reviewed them and formulated the acronym HOMES. The final values were then shared across the business and were met with very positive sentiment.

Our new values

Honest

We value transparency and integrity in our words and actions.

One Team

We work as one team to develop safe, friendly and inclusive communities for our customers and colleagues.

Memorable

We create positive experiences and lifelong memories.

Equal

We welcome individual differences and support each other with the same amount of respect and kindness.

Successful

We provide high-quality services that deliver results now and for the future.

Value in Action

One Team

We believe that we are all truly one equal team where we want to work hard to ensure we develop safe, friendly and inclusive communities for our customers. We ensure all people managers in the Group have undertaken mental health first aid training and that colleagues endeavour to respond to customers as soon as they can. This value stretches throughout the organisation and helps underpin everything else that we do.

Value in Action

Equal

We believe and support everyone from all backgrounds. For the first time in 2021 we started an exercise to understand the ethnicity of our workforce and how we could ensure that we continue to be a welcoming business.

We have also continued our obligations to report under the gender paygap. For another year our gender paygap is actually negative, which means that on average within our business women are paid more than men. We want to ensure that we are always an equal employer but also always ensure we welcome people from all backgrounds in our buildings as well.

Key Performance Indicators

Monitoring our performance

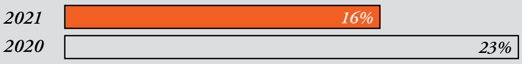
Non-Financial KPIs

A

Rebooker Rate (%)

16%

Performance



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

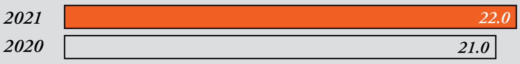
1 2 3 4 5

B

Net Promoter Score

+22

Performance



Purpose

NPS calculated by the Global Student Living Index which also allows us to benchmark against our peers.

Strategic Link

1 2 3 4 5

C

Revenue Occupancy (%)

84%

Performance

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

2021	*0*
2020	*0*

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

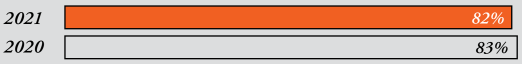
1 2 3 4 5

E

Colleague Engagement

82%

Performance



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 this and the previous year, several of our usual KPIs are showing anomalous figures during this reporting period. We expect this impact to carry forward into our 2022 KPI reporting.

During the year we have amended our customer-related KPIs, we have moved from a customer happiness score, which was internally measured, to a NPS score calculated by the Global Student Living Index which also allows us to benchmark against our peers.

In 2022 we will review our KPIs to ensure our ESG agenda is appropriately reflected.

Our KPIs are defined in the Definitions on page 118.

Financial KPIs

F

Gross Margin (%)

58.8%

Performance

Purpose

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

Strategic Link

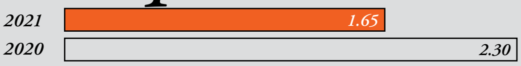
1 2 3 4 5

G

Adjusted Earnings per Share (p)

1.65p

Performance



Purpose

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

Strategic Link

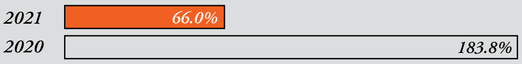
1 2 3 4 5

H

Dividend Cover (%)

66.0%

Performance



Purpose

Dividend cover shows our ability to pay dividends out of current year earnings. Note that in the past two years dividends were suspended. See page 33 for details.

Strategic Link

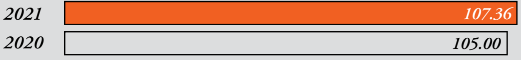
1 2 3 4 5

I

Net Asset Value per Share (p)

107.36p

Performance



Purpose

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

Strategic Link

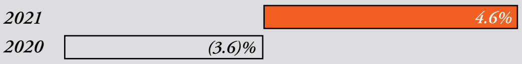
1 2 3 4 5

J

Total Return (%)

4.6%

Performance



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 CSO Statement

Driving efficiencies

> *We have had a busy year, embedding new systems and change so that we have a strong platform for growth.*

LYNNE FENNAH

Chief Financial and Sustainability Officer
2 March 2022

2021 has seen us complete what can be viewed as the first phase of our operational transformation which we started in 2018, with all activities now safely migrated in-house. The key final milestone this year was the previous external revenue management contract ending in October 2021 with the academic year 2020/21 being the final one externally managed. In November 2020 we had already started selling for the academic year 2021/22 on our in-house platform for the first time, and throughout 2021 we have now also successfully taken payments directly from students for the first time.

This first phase of the transformation journey has been a significant undertaking, and I would like to thank the entire team for their contribution in making this happen.

The next phase of our transformation will see us focusing on continuing to drive performance and efficiency across the business, with the key areas of operational focus in this respect in 2021 having been:

– Completed the induction and establishment in the senior team of the CEO and Property Director, who both joined towards the end of the previous financial year, and for the Sales & Marketing Director who joined in June 2021.

– Embedding the day-to-day management of the in-house revenue management platform and the related dynamic pricing model.

– Re-structuring of the IT team and the development of a small project office to assist in the further rationalisation of our IT platforms and automation of processes.

– An external review of cyber security and IT enterprise architecture.

Revenue Management System

The final work on our new revenue management system concluded in October when we brought the process for the collection of Receivables in-house. This is now a centralised function within the finance team.

This system gives us direct control of our revenue management, enabling us to make price changes more efficiently and swiftly:

- it allows us to manage the relationship with our customers directly end to end;
- it makes debt collection easier,

and, importantly, we are delivering annualised cost savings of £1.5 million which started in September.

Financial Performance

Our performance in 2021 continued to be impacted by COVID-19 but there was an improvement as restrictions relaxed during the year and despite the Omicron surge in December we ended the year with greater confidence that market conditions are starting to normalise for the 2022/23 academic year.

Revenue decreased 6% to £56.0 million, as occupancy for the first eight months in 2021 was 65% compared to 84% for the same period in 2020. We started the academic year 2021/22 at 81% occupancy and this has increased to 84% since then.

Like-for-like rental growth for the 2020/21 academic year was 1.3% as reported previously, as we prioritised occupancy levels over rental growth.

Property Expenses were up 2% mainly driven by having to pay council tax on empty rooms as a result of lower occupancy levels.

Gross Margin decreased from 62% to 59% as a result of a £3.5 million fall in revenue.

During the period, we sold four assets with a net gain on disposal of £1.7 million.

Since the year end you will have seen that we have announced further disposals of five assets, also above book value, alongside one acquisition. These have been reported on as assets held for sale as at the balance sheet date.

The net profit from a change in the fair value of investment properties was £17.6 million compared to a £37.6 million loss the previous year.

Like-for-Like rental growth for Academic Year 2020/21

1.3%

CFO and CSO Statement continued

> “*Our ‘cloud first’ strategy allowed us to apply business continuity with minimal disruption to productivity.*”

Valuation Average Net Initial Yield

5.3%

(December 2020: 5.6%)

Net finance expense was £12.4 million, 7% less than last year due to maintaining the RCF at a lower level and continued low interest rates.

The result of this is a profit before tax of £29.2 million (2020: loss £24.0 million). No corporation tax was charged, as the Group fulfilled all of its obligations as a UK Real Estate Investment Trust (“REIT”). Basic earnings per share (“EPS”) was therefore 4.84 pence and also 4.84 pence on a diluted basis (2020: loss (3.97) pence and (3.97) pence (diluted).

Adjusted EPS is the most relevant measure of earnings when assessing dividend distributions.

In 2021, Adjusted EPS was 1.65 pence (2020: 2.30 pence). 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 2021 was 107.36 pence (31 December 2020: 105.00 pence).

The NAV is shown net of all property acquisition costs and dividends paid during the year.

Valuation Movement

The chart below shows a breakdown of the movement in our portfolio valuation since the end of 2020.

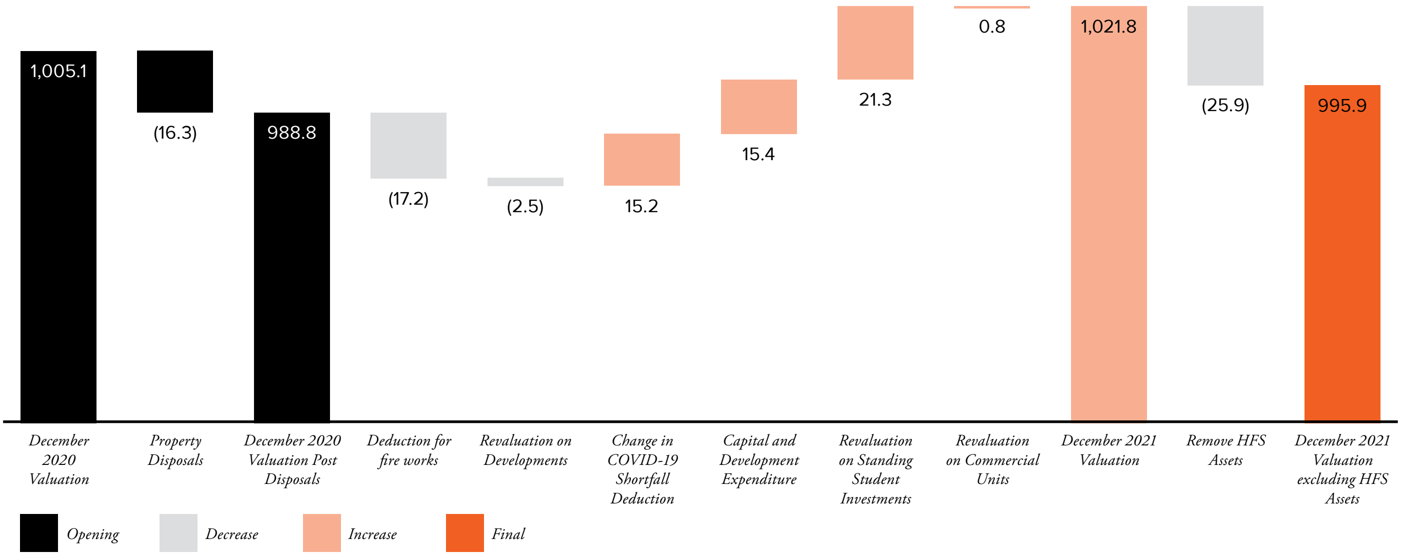
During 2021 we sold four assets for £18.1 million, above the book value shown here of £16.3 million. After that disposal the portfolio was valued at £988.8 million.

In August 2021 we indicated we would spend £30 million on health and safety works over the next five years. We are uncertain how much we will recover from developers so we have increased this to £37 million. CBRE accepted management’s assumption is that £17.2 million of this cost should now be reflected in the valuation at the year-end in respect of work on fire stopping and external wall systems.

The value of developments has fallen by £2.5 million due to a delay in obtaining planning consent on Canterbury.

At the end of December 2020, we reported a COVID-19 related reduction in the year-end portfolio valuation of £21.4 million, mainly due to CBRE’s assumption of 50% occupancy for the balance of the 2020/21 academic year.

Valuation Movement



Dividends

Quarter ending	*Declared*	*Paid*	*Amount (p)*
30 September 2021	*29 October 2021*	*3 December 2021*	*2.50*

We are now reporting a £15.2 million move in our favour as CBRE reduced their COVID-19 deduction to £6.2 million.

This deduction of £6.2 million relates to the balance of the 2021/22 academic year only, with no deduction proposed for the academic year 2022/23.

During the year, we spent £8.0 million on capital expenditure and £7.4 million on development.

Our operational assets increased in value by £21.3 million, driven by improved rental growth on our super prime assets, partially offset by a reduction in secondary assets.

Our commercial portfolio, which comprises convenience stores and restaurants within our sites, went up £0.8 million.

The valuation at the end of December, before adjusting for assets that have been sold following the year end, was £1.022 billion.

Over the year, Net Initial Yield has slightly improved from 5.6% to 5.3%.

Dividends

The dividends declared in respect of the 2021 financial year are shown in the table above.

We are pleased to report that we resumed dividend payments in Q4 2021 with a payment of 2.5p per share. This comprises the PID distribution requirement of 1p per share for the financial year 2019 and 1.5p per share for 2020. In 2022, we plan to start paying a minimum dividend of 2.5p per share per annum, with a view to increasing this as occupancy levels normalise.

Our future dividend policy will be progressive, whilst also ensuring that dividends are paid on a fully covered basis. Driving long-term shareholder value remains top of our agenda as we drive value-enhancing changes in our business.

Debt

At the year end, before deduction of loan arrangement fees, the Group had committed investment debt facilities of £420 million, of which £375 million were drawn down (2020: £390 million drawn down).

Of our drawn investment debt, £277 million of this debt is fixed and £98 million is floating. The aggregate cost of our investment debt was 3.0%, with a weighted average term of 4.9 years.

The Loan to Value for the Group was 33.1% (2020: 35.4%), 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 currently have around £44 million of unencumbered assets and as at the year end we had £81 million of undrawn investment facilities and cash.

We have one facility which is due in less than one year. The facility totals £90million of which £45million was drawn at the end of the year. Post year end we have signed an extension for a further three years. Once completed we expect to have no further financing requirements until March 2023.

Loan to Value

33.1%

(2020: 35.4%)

Responsible Business – ESG

Responsible and sustainable approach

The Board believes that ESG must be fully embedded within all activities within the Group for it to succeed.

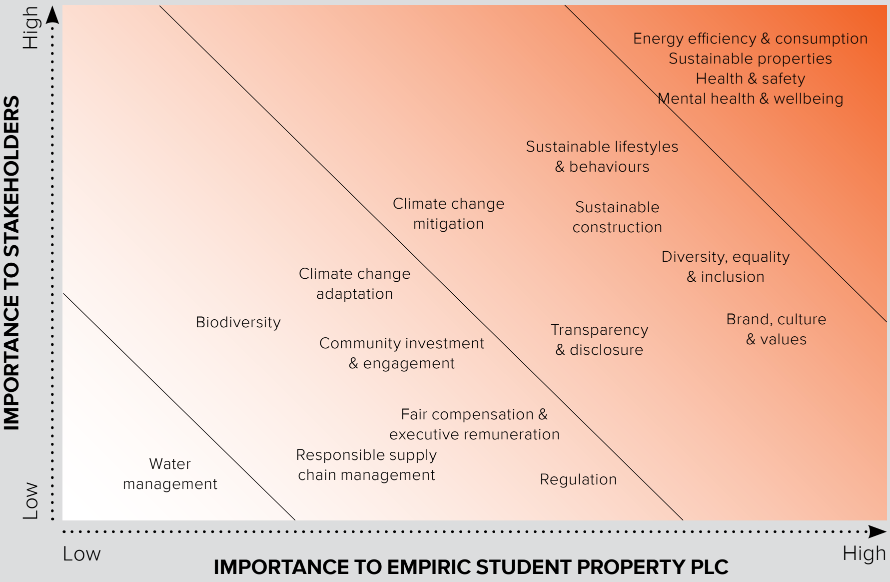
Our ESG Journey and Commitment to Stakeholders

We are committed to creating and operating a responsible and sustainable business which has a positive impact on all of our stakeholders. During 2020 we established a Board-level ESG Committee tasked with providing a road map to deliver a significant step change in our approach to ESG.

Our purpose is 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.

In 2021 the ESG Committee undertook our first formal materiality assessment. The decision to undertake a materiality assessment was driven by a number of considerations. Firstly, a materiality assessment would help inform the Group's future sustainability strategy. It would allow the Group to identify what organisational changes would be required and what tools, resources or investment would be needed to implement a robust ESG strategy. Importantly, a materiality assessment would enable the Group to prioritise what the business can or should do to support its key stakeholders whilst communicating this both internally and externally. Finally, completing a materiality assessment would allow the Group to rationalise to key stakeholders why it was prioritising certain topics within its future sustainability strategy and disclosure.

Materiality Matrix



The assessment, led by our Board and ESG Committee, was undertaken by an independent third party to ensure confidentiality and impartiality. The assessment was conducted according to the Global Reporting Initiative ("GRI") and its reporting standards.

To ensure that we fully understood the priorities and needs of our stakeholders, we:

- Listened to over 1,700 students to better understand our customers' needs and expectations.
- Undertook a range of surveys and focus groups with our colleagues.
- Conducted one-to-one interviews with other stakeholders, such as investors, banks, professional advisers and analysts.

Following the assessments above, our external adviser analysed and assessed qualitative information to determine the key topics identified by stakeholders, with the output of the materiality matrix detailed opposite.

The ESG Committee reviewed the materiality matrix and decided to combine the "energy efficiency & consumption" and "Sustainable properties" topics under one heading. The Committee also decided to add a fourth topic around how Empiric aims to provide opportunities for all through its business activities.

We have structured our Responsible Business section so that we have an individual section for each of our four key topics:

- **Becoming a sustainable business and achieving net zero**
  Page 36
- **Excelling in providing health and safety**
  Page 37
- **Enhancing mental health and wellbeing**
  Page 38
- **Providing opportunities for all**
  Page 39

We are committed to improving our contribution to the environment, our social obligations to employees, suppliers, customers and the communities in which we operate. Our activities will be guided by setting ambitious and challenging targets that will guide our strategy, operations and employees over the coming years.

ESG Management Framework

ESG Committee

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

The Board

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

Senior Leadership Team

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

Our People

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

Becoming a sustainable business and achieving net zero

We intend to become net zero in our operations, property portfolio and energy consumption by 2035 or before. We will reduce the environmental impact of the buildings annually as part of a strategy through investment in energy and resource efficiencies and encourage our students to increase their sustainable behaviour. We have also set a wider target of being net zero in all our emissions (adding scope 3) by 2050 or sooner.

Actions Undertaken During 2021

As part of our ambition to achieve net zero we have appointed CBRE to undertake an overarching Net Zero report, this will help us to define KPIs and also areas in which we need stronger governance. As part of this report, there will be a section that we publish on our website under a new ESG section.

We have also commissioned our utilities adviser to build an asset-by-asset road map of our existing portfolio. This will contain yearly targets and activities and highlight to us where best to invest our capital. As part of this project, in our June 2021 Interim Report we announced that we had ring fenced £4 million of green expenditure over the next five years to help achieve these goals.

In December 2021 we undertook our first pilot green initiative in Manchester on two assets. This project involved the installation of new panel heaters in the building which were then connected to our heating network. This project will pay for itself in energy savings over a period of less than two years. This pilot initiative was completed without any disturbance to our customers and has helped design the blueprint for future initiatives.

During 2021 we also replaced all of our on-site vans with electric vehicles; see case study for more detail. These vans can then be charged on-site where 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.

Finally, in 2021 we signed up to become a supporter of the TCFD. This is our first year in complying with disclosures in line with TCFD recommendations except as set out on page 44. We expect these disclosures to evolve as we start to define our pathway to net zero carbon and will become fully compliant in the future.

Key Aims for 2022

- Disclosure of our EPC position across the Group and steps being taken to improve this.
- Continue our road map of planned energy efficiency initiatives across the portfolio.
- Increase the ESG disclosures on our corporate website to increase transparency.
- Publish CBRE's Net Zero report on our website.

Electric Vans case study

During 2021 the lease on our six diesel work vans came up for renewal and the decision was quickly made to replace these with green electric work vans. Although this came at a slight premium, it was an important message to make to underline our commitment to ESG. As part of the project we installed electric charging stations at six buildings and were able to utilise our renewable electricity. Our people and students reacted very positively to the roll-out of the new electric vans, with posts being made on Workplace, our internal social media site.

Excelling in Providing Health and Safety

We will continue to build on our established good practice in health and safety where we operate. We will do this by continuing to target zero RIDDORs each year as defined by the HSE. We also understand the need to create environments that make our students and employees feel safe. Needing to feel safe always scores highly in our customer surveys and we have a duty to address that.

Actions Undertaken During 2021

In our 2021 Interim Report we announced that we would be spending circa £30 million on fire safety works in our buildings. However, we are uncertain how much we will recover from developers so we have increased this estimate to £37 million.

This workstream was split into two sections. The first part includes fire compartmentation works, where we undertook works on 29 buildings in 2021, with a further 30 buildings planned for 2022 and 2023. The second part of the workstream was external wall system ("EWS") surveys. We undertook EWS surveys on our 20 buildings which were classed as high risk due to their height being over 18 metres. The actions are currently being worked through by our property team.

Keeping our people and customers safe is always of paramount importance to us. We have continued to maintain a number of initiatives within our buildings to ensure safety during the COVID-19 pandemic, and we have also been agile and amended these safety measures in line with government guidance.

We undertook a large training programme with the Institute of Occupational Safety and Health ("IOSH") during the year; see case study for detail. One outcome of this training was the decision to review and relaunch our existing health and safety policy to ensure it was up to date and relevant. This was relaunched in October 2021 alongside a secondary document which gives guidance on the key aspects of the policy document which are pertinent to each job role.

Key Aims for 2022

- We have hired a full-time in-house health and safety expert to increase the resource and knowledge with the business. We also require an internal expert to help us facilitate and embed a culture change throughout the business.
- Define and establish KPIs for external reporting around Colleague Engagement, Training, Incident Reporting and Student Feedback.
- Continue to undertake capital expenditure on our fire safety projects.

IOSH Training case study

During the year, we undertook a number of training courses with IOSH. There were two main streams of training, firstly the frontline IOSH training programme. This consisted of three separate courses: Managing Safely, Working Safely and Fire Safety. This was delivered as a hybrid of in-person and online teaching to our people. We had 120 of our front line people complete the course and the feedback we had was overwhelmingly positive.

The second stream of training was the IOSH Leading Safely course. This was a full day in-person course delivered to three Board members and three Executive Committee members. Each attendee made a number of key safety commitments which will be woven into our health and safety strategy.

Enhancing Mental Health and Wellbeing

The wellbeing and mental health of our students and employees is a top priority for us. We also know how it can make a positive impact on our business and the wider community.

Actions Undertaken During 2021

During 2021 we undertook a number of different actions to enhance the mental health and wellbeing for both colleagues and our customers. One of the key actions undertaken was mental health training undertaken with Mental Health First Aid England, discussed further in our case study.

We launched a series of awareness and wellbeing weeks across the business. In May we had our Mental Health Awareness Week with the theme of nature; we encouraged colleagues to get outdoors and share their pictures on a new ESG working group on Workplace and used the opportunity to remind everyone how to access support to improve their wellbeing and mental health. In October we launched a series of wellbeing weeks, where we featured a different aspect of wellbeing each week, encouraging managers to engage their team members in discussions that will increase awareness about the support tools we offer and demonstrate that we care about the health and wellbeing of our people.

We also launched a "How are you Feeling?" survey undertaken by our London office-based colleagues following an extended period of remote working and an announcement of a planned office move to London Bridge later in the year. The survey results indicated a strong preference for "hybrid working" to become the new norm. A working party was set up to further review and respond to the results, combined with communication updates for the new office.

We launched a further round of refunds and discounts to help our customers who had been impacted by the COVID-19 pandemic. One of the main considerations around offering the refunds was the impact of stress on our customers' mental health.

In 2021 we have continued 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 service (BACP accredited) through a telephone helpline. We believe supporting our customers' wellbeing is paramount.

Key Aims for 2022

- Improve our Best Companies score as well as our student satisfaction score.
- Define and develop how we evaluate our approach to the wellbeing of all our stakeholders before being able to set out, define and establish KPIs.

Mental Health & Wellbeing Training

case study

We partnered with Mental Health First Aid England ("MHFA") to deliver training to all people managers to improve their knowledge, awareness and understanding in supporting both team members and students. Separate shorter sessions were also delivered for key frontline roles, Customer Service Advisers and Night Caretakers initially. This meant that everyone from our CEO to our front-line colleagues had undertaken some form of mental health first aid training to ensure we can help protect our customers and our people as well as ourselves. We want to continue to progress this training in future years with regular top-up sessions and forum discussions.

Providing Opportunities For All

We believe that being inclusive improves opportunities for our students, employees and people living in the communities we operate in. This will not only create long-term value to our business, but also society.

Actions Undertaken During 2021

Our first action in 2021 was to become a Living Wage Employer from 1 January 2021. We are committed to ensuring that we continue to hold this accreditation as we strongly believe our people should be fairly rewarded.

We have introduced two new KPIs around our people. Firstly, a mandatory training KPI established for monthly tracking and reporting. This has shown a 44% increase in the year. Secondly, a new KPI to track internal promotions into eligible roles; this is currently running at 23%, meaning that just over one in five roles advertised are filled internally by promotion.

To help assist internal promotions we have launched a skills matrix for maintenance operatives and day/night caretakers. This self-assessment allows us to gauge current levels of ability and confidence to complete certain tasks. It also highlights areas where we will develop a training plan to increase capability and reduce external spend as well as upskilling our people. This allows our people to work as one team and to treat others as equals. These feed into our Values as a business which we relaunched in the year; see the case study for more detail.

Key Aims for 2022

- Continue to support and help local causes in our communities.
- Undertake a review looking into wider diversity issues and targets.

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 continue to review our approach to diversity, equality and inclusion, including the use of targets. 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.

Responsible Business – ESG continued

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***

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. In 2022 we are going to seek to develop an externally managed whistleblowing hotline as well as reviewing the policy.

Opportunities For All case study

We also look to provide opportunities for all in our wider community. During the year, the BBC undertook filming at one of our buildings and as payment we requested they make a donation to a charity on our behalf. The local site team chose Kind in Liverpool, a charity which focuses on helping disadvantaged children and families from across Liverpool and Merseyside. The image here shows the filming outside our Hahnemann Building.

Our key stakeholders and how we engage with them

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 46 for more detail on the Board's engagement with our key stakeholders.

Stakeholder Engagement

Stakeholder	*Why We Engage*	*How We Engage*
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.	On a day-to-day basis within our buildings. Through biannual customer surveys. Through our social media presence. Through building relationships with universities in the towns and cities which we operate in.
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 to enable them to prosper. The tone and culture of our organisation comes alive through the actions of our people.	On a day-to-day basis we use Workplace as an internal communication tool. Quarterly townhalls are held where our people can raise questions and contribute. Through the Colleague Forum.
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.	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 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.	Through face-to-face meetings with investors. Through our Annual and Interim Report. At our Annual General Meeting.
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.	On an annual basis there is detailed ESG reporting within our Annual Report. We are looking to increase the level of reporting and policies available on our website.

Material Issues	*Actions Taken in 2021*
– Safety in their homes – Customer service – Value for money	– Offered refunds to students impacted by COVID-19 pandemic in Q1 2021. – Moved our student assistance programme onto a student app. *Page 22* – Embedded our new operational structure, meaning there was cover on sites 24 hours a day, seven days a week. *Page 22*
– Safety at work – Pay and reward – Fair and equal treatment – Communication	– Relaunched our Company values after a consultation with our people. *Page 26* – Rated as "One to Watch" by the Best Companies survey. *Page 22* – Becoming a Real Living Wage Employer from January 2021. *Page 22*
– Job creation – Housing stock – Supporting local charities	– Supported a number of local charities and donated items to the British Heart Foundation. – Had filming at a number of our sites. *Page 40*
– ESG reporting and disclosure – Sustainable business – Financial results – Dividend payments	– Undertook a materiality assessment to help develop our ESG strategy. *Page 34* – Resumption of paying dividends to shareholders. *Page 33* – Protecting the business and ensuring its long-term sustainability and going concern. *Page 33*
– Reduction in greenhouse gas emissions – Sustainable business	– Replacing all of our diesel vans with electric vans. *Page 36* – Undertaking an energy efficiency project in Manchester, the first of our five-year programme. *Page 36*

Task Force on Climate-related Financial Disclosures ("TCFD")

We're committed to implementing the recommendations of the Task Force on Climate-related Financial Disclosures. In 2021 we signed up to become an official supporter of the TCFD.

Area	*Disclosure*
Governance **a)** Describe the Board's oversight of climate-related risks and opportunities. **b)** Describe management's role in assessing and managing climate-related risks and opportunities.	**a)** The Board is ultimately responsible for risk management, including the consideration of climate-related risks, though this responsibility is delegated to the Audit and Risk Committee. See pages 48 to 53 for our risk management framework. **b)** The ESG Committee's terms of reference set out that the Committee is responsible for: "Identifying, managing and mitigating or eliminating ESG risks in connection with the Group's operations and corporate activity:" The ESG Committee is a Board-level Committee chaired by the Chairman. Management is informed through reports and feedback from the CFO/CSO who manages the day-to-day ESG working Group.
Strategy **a)** Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term. **b)** Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning. **c)** Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	**a)** We have undertaken an initial review of the climate-related risks over the short, medium and long term as set out below. We will identify risks and opportunities on a continual basis. Short term (0-5 years): We expect stricter legislation as the UK Government aims to reach its net carbon neutral target. This includes greater disclosure requirements as well as implementation of new Minimum Energy Efficiency Standards for rented property. Medium term (5-10 years): Customer choice will become more environmentally driven, with higher demand for efficient low-carbon footprint buildings. Long term (15+ years): Climate change in the UK will bring more extreme weather conditions which our buildings will have to be able to withstand and thrive in. **b)** The Board will ensure that climate risks and ESG factors are included as key metrics when we undertake our portfolio reviews to see where we wish to either divest or invest further capital in green energy efficiency initiatives. We will also consider the climate-related risks and energy efficiency on all acquisitions. See page 36 for work being undertaken on energy efficiency initiatives. **c)** We do not currently comply with this. We will in the near future undertake an analysis into the resilience of the organisation's strategy. We do not foresee that our current strategy will change.
Risk management **a)** Describe the organisation's processes for identifying and assessing climate-related risks. **b)** Describe the organisation's processes for managing climate-related risks. **c)** Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	**a)** The Group does not yet fully comply with this, the organisation has included climate-related risks into some elements of its decision making, such as any property investment / divestment decisions. The identification and assessment of our climate-related risks will continue to evolve over the coming years as we set out what our risk classification frameworks will be. **b&c)** The Board recognises that climate change is an increasingly important priority and is one of our top emerging risks. Our risk matrix is regularly reviewed and updated to keep track of the changing nature of these risks. See page 48 to 53 for the Group's Principal Risks and Uncertainties.
Metrics and targets **a)** Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. **b)** Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas ("GHG") emissions, and the related risks. **c)** Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	**a,b&c)** We do not currently fully comply with this. As we develop our ESG strategy and our climate-related risk management we will publish further metrics in this area and announce targets for these. We disclose Scope 1 and 2 greenhouse gas ("GHG") emissions in our Annual Report; see page 45. We are looking to include Scope 3 emissions in the future, once we further develop our ESG reporting. We do not believe Scope 3 emissions will have a material impact on our figures as we should have minimal upstream and downstream emissions.

Energy Usage Data

Energy Usage

Energy usage remains a key focus for our business, reducing usage both through changing how our customers act and also employing capital projects. The key headlines are:

- 8.6% reduction in like-for-like direct GHG emissions since 2020.
- 0.1% increase in like-for-like electricity consumption since 2020.
- COVID-19 had an impact in the reduction of GHG and electricity consumption in 2020. Due to the various lockdowns under government guidelines, we expect the consumption to start increasing in line with pre COVID-19 levels going forward.

Water Usage

Our total water usage has decreased marginally since 2020. However, on a normalised basis per bed the usage levels have increased. This is due to more accurate data being available due to the installation of smart meters.

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.

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 EPRA performance data set out on this page provides the information required for the Group to comply with The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. Direct emissions are the emissions from activities for which the Company own or control, including combustion of fuel and operation of facilities (known as Scope 1 emissions). Indirect emissions are emissions from purchase of electricity, heat, steam and colling purchased for own use (known as Scope 2 emissions).

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

Greenhouse Gas	*EPRA Code*	***2021***	*2020*
Like-for-like:			
Total direct GHG emissions (tCO_2e)	GHG-Dir-LfL	***3,309***	*3,622*
Total indirect GHG emissions (tCO_2e)	GHG-Indir-LfL	***3,772***	*4,139*
Absolute:			
Total direct GHG emissions (tCO_2e)	GHG-Dir-Abs	***3,309***	*3,622*
Total indirect GHG emissions (tCO_2e)	GHG-Indir-Abs	***3,772***	*4,139*
Normalised:			
GHG intensity from building energy consumption (tCO_2e per operating bed)	GHG-Int	***0.82***	*0..88*

2021 – % of total assets included: LfL – 100% / Abs – 100%
2021 – % of data estimated: LfL – 9.1% / Abs – 9.1%

Energy	*EPRA Code*	***2021***	*2020*
Like-for-like:			
Total fuel consumption (kWh)	Fuels-LfL	***18,068,259***	*19,699,010*
Total district heating & cooling consumption (kWh)	DH&C-Abs	***628,636***	*669,120*
Total electricity consumption (kWh)	Elec-LfL	***17,763,204***	*17,753,011*
Absolute:			
Total fuel consumption (kWh)	Fuels-Abs	***18,068,259***	*19,699,010*
Total district heating & cooling consumption (kWh)	DH&C-Abs	***628,636***	*669,120*
Total electricity consumption (kWh)	Elec-Abs	***17,763,204***	*17,753,011*
Normalised:			
Building energy intensity (kWh per operating bed)	Energy-Int	***4,228.73***	*4,339.84*

2021 – % of total assets included: LfL – 100% / Abs – 100%
2021 – % of data estimated: LfL – 9.1% / Abs – 9.1%

Water	*EPRA Code*	***2021***	*2020*
Like-for-like:			
Total water consumption (m^3)	Water-LfL	***353,826***	*356,979*
Absolute:			
Total water consumption (m^3)	Water-Abs	***353,826***	*356,979*
Normalised:			
Building water intensity (m^3 per operating bed)	Water-Int	***41.04***	*40.64*

2021 – % of total assets included: LfL – 100% / Abs – 100%
2021 – % of data estimated: LfL – 59% / Abs – 59%

Section 172

Section 172(1) of the 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 Executive Committee which provides regular updates to the Board. This allows the Board to monitor the performance of the Company and ensures that the Company is progressing in line with the long-term strategy. The KPIs reported on page 28 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 (Senior Independent 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 it to ensure its 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 customers' 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. See page 34 to 45 for detail. 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 best decision for the Company 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. In 2021 the Board approved the relaunched values; see page 26 for detail.

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 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 – January 2021 – Commencing the disposal programme

After a segmentation analysis of the property portfolio, a number of non-core assets were identified. In January 2021 the Board agreed that the first four proposed disposals should proceed and that the Group should look into the future of our segment D assets. *(See page 20 for detail)*.

Long-term success considerations

The actions which the Board undertook were focused on ensuring that the Group's property portfolio was in the best position possible to enact the Group's strategy.

The assets sold were deemed non-core by the Group and fitted into segment D of our segmentation analysis. (See page 20 for detail).

The Board then agreed that the sales proceeds would be reinvested into the business either in refurbishment programmes or in further purchases of standing assets or development opportunities.

Stakeholder impact considerations

Customers – The Board considered that when our customers book a Hello Student® room then they should receive a consistent offering. Disposing of the segment D assets which would not give customers a consistent stay when compared to our segment A or B assets would help achieve this.

People – The Board considered how these decisions would impact people. The main impact would be that by creating a better aligned property portfolio we would place the Group in a stronger position, which will create a better company to work for in the future.

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 through having a well aligned property portfolio.

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 allowed four properties to be sold in the year. As part of the sanctioning of the disposal of category D assets, a further five assets were unconditionally exchanged at the year end and completed in January 2022. The Group has successfully sold nine of its non-core category D assets.

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

Principal Decision 2 – May 2021 – Further investment in our internal platform

The Board identified that through successfully in-housing our revenue management platform, we had a significant opportunity to leverage this platform to give us a far greater understanding of our customers through data analytics. As such, the Board agreed to embark upon a road map to invest further into our internal revenue management platform.

Long-term success considerations

Through gaining a better understanding of our data and getting detailed analytics of where we had drop-offs in our booking process we will be able to improve our booking conversion rate. Ensuring that we maximise the revenue from all of our buildings allows us to maximise returns and generate further capital which we can reinvest in the future. In addition, having the whole platform in-house means the investment we make can be utilised for years to come.

Stakeholder impact considerations

Customers – The Board considered that by improving the data we have about customers we can improve all aspects of the customers' booking journey, allowing our customers to have a more tailored and seamless booking experience. This will help to increase customer satisfaction as well as customer retention.

People – The Board considered that by increasing our understanding of the booking process, we can help train our people on what our customers really want. This helps our people ensure that our buildings are full year after year and thus increases their progression prospects within the Group.

Shareholders – The Board considered that our shareholders would benefit from these decisions; the investment into the internal platform would quickly be repaid by higher occupancy, each percentage point of revenue occupancy gained is around £750,000. This means there is a short payback period for any investment made.

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 outcome was that the Board approved the investment into our internal revenue management project. We have already started to see the benefits from this investment, such as introducing a new dynamic pricing model and platform that adopts the pricing strategy and regularly adjusts pricing to take into account occupancy and market conditions and allows us to optimise revenue opportunity.

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

Principal Risks and Uncertainties

During 2021, COVID-19 has continued to have a material impact on our business. The impact primarily affected our student demographic, reducing the proportion of international students. Health and safety risks around cladding and the impact of climate change continue to dominate the environment in which we operate in, and our risks, their impact and probability have been amended as appropriate.

The risk pertaining to Brexit has decreased materially and while there are some impacts around supply chain and people costs, these are expected to reduce.

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

Changes to Principal Risks

The Committee decided to amalgamate two risks, “Student Demand Risk” and “Revenue Risk”, under one centralised Revenue Risk (E1). The key driver of revenue risk is the level of student demand for our product, which can be broken down into a number of factors. Some of these factors are directly correlated with COVID-19, such as the change in UK student demographics as the pandemic means international students choose to stay away as a result of travel restrictions. Other factors are how attractively UK tertiary education is seen in the international marketplace and whether the high costs of university reflect value for money.

The Committee decided to add a new internal risk, “Safe and Sustainable Buildings Risk” (I4). This risk is made up of two components, firstly safety - the capital expenditure to ensure our buildings comply with forthcoming changes in fire and safety legislation. Second, sustainability of our buildings – the physical risks to our buildings caused by climate change, i.e. flooding, extreme change between hot summers and cold winters. These physical risks need to be managed through ensuring our buildings are designed and operated in the correct manner.

The Committee reviewed the emerging risks and considered whether climate change should be added as a principal risk due to the increase in regulation around compliance and reporting on energy efficiency, which brings added costs. There is also the impact of transitioning to a low-carbon economy, with the risk of rising costs meaning that some properties become unviable in their current format. The Committee considered that some of the physical risks around climate change had been included under I4, and so at this time would not be including a separate climate change principal risk. The Committee will continue to keep this under review.

The Audit and Risk 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 50 to 51 with our emerging risks on page 52.

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 & Risk Committee

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

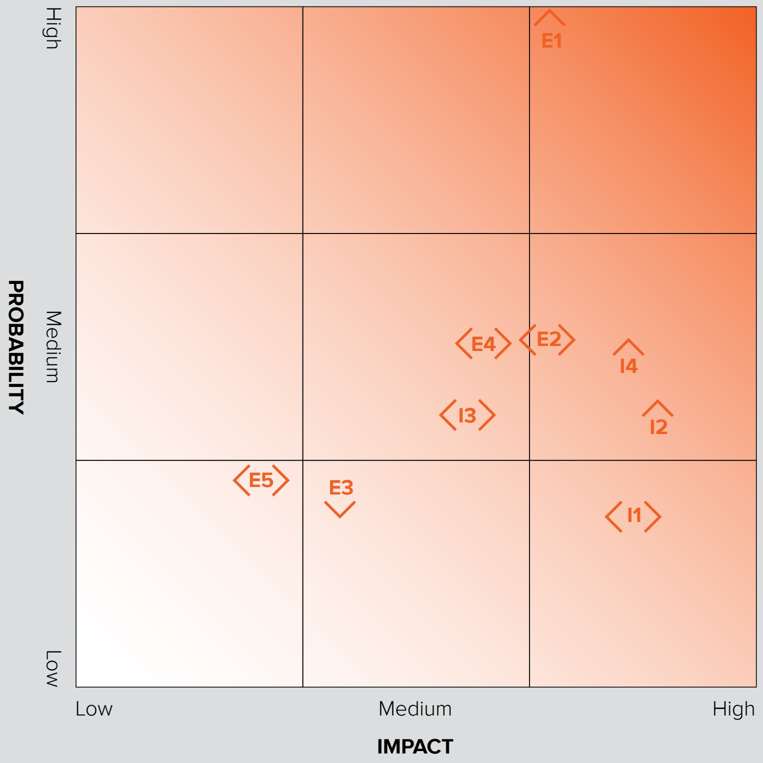
Senior Leadership Team

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 Revenue Risk
E2 Competition Risk
E3 Property Market Risk
E4 Regulatory Risk
E5 Funding Risk

Internal Risks
I1 Health & Safety Risk
I2 Cyber Security Risk
I3 People Risk
I4 Safe and Sustainable Buildings Risk

Going concern – Viability Statement

The COVID-19 pandemic has created global economic uncertainty, and in particular an uncertainty around income for the upcoming 2022/23 academic year. Accordingly, the Group has prepared projections to 30 September 2023 and conducted a detailed going concern review and considered its liquidity position and banking covenant compliance strength.

As at 31 December 2021 the Group had £37 million in cash and £45 million of undrawn investment debt facilities. During the going concern period we have two facilities due for refinancing, one for £90 million with Lloyd's due to expire in November 2022 and one with First Commercial Bank for £20 million due in March 2023. Subsequent to the year end, the Group signed an agreement to extend its Lloyd's RCF out to November 2025. This means the Group is well funded and has no refinancing requirements until March 2023 where we intend to extend the £20 million facility.

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 2022/23 academic year. Upside, central and downside stress cases have been constructed showing 2022/23 academic year occupancy of between 65% and 90%.

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 18% from December 2021 valuations before LTV covenants are breached.

In Scenario 1, and 2 above, the Group continues to maintain covenant compliance for all its interest cover covenants. It maintains adequate levels of liquidity throughout. 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 3, under our Downside Stress Scenario, we would not meet projected interest cover covenants at the 31 March 2022 measurement date for one lender. We would also have further breaches on two other facilities in the going concern period. The Group has cure rights under the lending agreements but would need to raise an additional £22million in cash to have sufficient liquidity to cure this ICR breach. The Board considers this scenario as extremely unlikely and that it is a severe downside scenario.

As at 2 March 2022, booking levels for the upcoming 2022/23 academic year are currently at 35%; this compared to 20% for the 2021/22 academic year as at 16 March 2021. As such, the Board is expecting that Scenario 1 is the most likely scenario at this time.

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 2022/23 academic year at which the Group would need to seek alternative sources of funding. For this modelling we kept revenue occupancy for the 2021/22 academic year at 84%.

The Directors noted that if occupancy falls below 45% then the Group would be in breach of all ICR covenants, and at 47% revenue occupancy for the 2022/23 academic year (18% lower revenue occupancy than our Downside Stress Scenario) the Group would need to seek alternative sources of funding.

Having reviewed and considered the three modelled scenarios, the 2022/23 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.

Scenario	*Revenue occupancy for 2021/22 academic year*	*Revenue occupancy for 2022/23 academic year*
Scenario 1 – Upside Scenario	84%	90%
Scenario 2 – Central Scenario	84%	85%
Scenario 3 – Downside Stress Scenario	84%	65%

Principal Risks and Uncertainties continued

External Risks Table

	Risk and brief description	*Potential impact*	*Mitigation in place*	*Trend*
E1	***Revenue Risk*** There is a risk that the student demand for our product will decrease, e.g. changes in student demographic and travel restrictions. — *Link to Strategy* *1 2 3 4 5*	– Loss of revenue – Erosion of asset values – High void costs – Potential breach in bank covenants	– Executive Committee and the Board closely monitor government policy, student numbers and other micro and macro-economic factors. – Monitoring all travel restrictions and ensuring marketing is targeted to key international markets. – 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.	⌃ Increase due to current uncertainty through COVID-19.
E2	***Competition Risk*** The risk of an increased level of competition and supply in the student sector. This risk varies for each city we are in as the market polarises and some universities have had declining student numbers year on year. — *Link to Strategy* *1 2 3 4 5*	– Oversupply of student accommodation – Pressure on student rental growth – Inflated asset and land prices	– The number of UK students demographically are increasing year on year from 2021 which should benefit all cities. – Continuous review and analysis of which cities we want to target and those which we wish to diversify from depending on this risk. – We ensure our assets are well located, serving established leading universities. – High-quality management information is provided across the business. – All properties are managed in-house under the Hello Student® brand which provides a strong brand identity.	‹ › Stable as PBSA market remains stable.
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	– Our assets are in prime locations, diversifying the risk. CBRE classifies 92% of the portfolio as prime or better. – We maintain prudent levels of gearing, with an LTV limit of 40% and a 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.	⌄ Decrease due to the resilience shown through COVID-19.
E4	***Regulatory Risk*** Large levels of regulation being applied to the student accommodation market. Note we have moved the management of fire safety regulations to risk I4. — *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.	‹ › Stable as minimal change to the regulatory environment.
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 – Forced sale of assets to repay debt – Reduction of profit	– Average maturity of debt of 4.9 years with £45 million undrawn as at 31 December 2021. – We maintain prudent levels of gearing, with an LTV limit of 40% and a long-term target of 35%. – Experienced finance team with a strong track record in procuring both debt and equity.	‹ › Stable as minimal change to the funding environment.

Strategic Links
1. *Customers*
2. *Brand*
3. *People and Operations*
4. *Buildings*
5. *Shareholder Outcomes*

Strategic Links
∧ *Increasing*
‹› *No change*
∨ *Decreasing*

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 Executive and recruitment of a Head of Health and Safety on track for Q1 2022. – Live compliance dashboard which is monitored daily. – Regular review of fire safety regulations and checks to ensure our buildings remain compliant with standards, going above and beyond fire safety requirements.	‹› Stable due to minimal change in the health and safety environment.
I2	***Cyber Security Risk*** The Group suffering from a cyber security breach, or the impact of a loss or mismanagement of personal customer data. — *Link to Strategy* *1 2 3 4 5*	– Reputational damage – Deteriorated customer experience – Higher costs and reduced profitability – Financial impact due to potential fines under GDPR legislation	– 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 for all staff. – Implemented a data monitoring system to protect our platforms across the IT estate.	∧ Increase due to current geopolitical uncertainty.
I3	***People Risk*** High turnover in front-line staff and the knock-on impact on customer service. — *Link to Strategy* *1 2 3 4 5*	– Higher costs due to wage inflation – Impact on customer service due to lack of familiar faces – Loss of key business knowledge	– We are a Living Wage Employer ensuring that we attract and retain talent where possible. – Use of internal communications to try and increase employee engagement. – Ongoing training and development programme designed to upskill staff regularly and progress forward with their career within the business. – Exit interviews are used to identify any areas for improvement within the business.	‹› Stable as minimal change to the employment market.
I4	***Safe and Sustainable Buildings Risk*** How our buildings will withstand increased legislation around fire safety as well as increased pressure from climate change and extreme weather conditions. — *Link to Strategy* *1 2 3 4 5*	– High costs for compliance – Reputational impact – Potential challenges around insuring our buildings – Compensation claims – Decreased liquidity of our buildings	– In our June 2021 Interim Report we announced a £30 million capital expenditure plan to ensure that our buildings comply with future fire safety legislation. However, we are uncertain how much we will recover from developers so we have increased this estimate to £37 million. – Regular review of fire safety regulations and checks to ensure our buildings, at a minimum, remain compliant with standards. – Continuous assessment of our buildings as well as undertaking £4 million of capital expenditure on green initiatives in the next five years.	∧ Increase due to greater focus on fire safety and potential upcoming legislation.

Principal Risks and Uncertainties continued

Emerging Risks

The Audit and Risk Committee considers emerging risks. These are new or unforeseen risks that the Committee is conscious of; however, their potential impact is not fully known. The Committee reviews these biannually alongside the principal risks and uncertainties. The Audit and Risk 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*
Geopolitical 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. This includes the unfolding crisis in Ukraine.	– Increase – E1 – Revenue Risk – Increase – E3 – Property Market Risk – Increase – E5 – Funding 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 to use 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 – Revenue Risk – Increase – E3 – Property Market 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. Our customer base of young students are very attuned to climate change, much more so than generations before them. The increased awareness around this issue is going to bring these issues and risks to the foreground.	– Increase – E1 – Revenue Risk – Increase – E3 – Property Market Risk – Increase – E5 – Funding Risk – Increase – I1 – Health and Safety Risk – Increase – I4 – Safe and Sustainable Buildings Risk	– ESG has become a key focus for the Group. Our progress will be monitored by our ESG Committee; read more on pages 34 to 35. – We have announced that we will be a net zero business by 2035.
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 – Revenue Risk – Increase – E2 – Competition Risk – Increase – E3 – Property Market Risk – Increase – E5 – Funding Risk	– Reviewing our portfolio to ensure that we are aligned to cities with more than one university and which have strong financial backing.

Emerging risk	*Impact on principal risk probabilities*	*Mitigating factors*
Introduction of Regulation of the Student Accommodation Industry The COVID-19 pandemic has drawn attention to the vast range of level of service within the student accommodation industry. Some providers, such as Empiric, provided a supportive approach to students, whereas other providers took a more hard-line approach which raised negative media attention. The industry is one which varies from HMO owners operating a handful of beds up to providers who operate tens of thousands of beds. This disparity and additional attention on the industry results in a risk that regulation may be applied to the industry.	– Increase – E1 – Revenue Risk – Increase – E3 – Property Market Risk – Increase – E4 – Regulatory Risk – Increase – I4 – Safe and Sustainable Buildings 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 – Revenue Risk – Increase – E3 – Property Market Risk – Increase – E4 – Regulatory Risk – Increase – E5 – Funding Risk – Increase – I1 – Health and Safety Risk – Increase – I4 – Safe and Sustainable Buildings 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.

Approval of the Strategic Report
The Strategic Report for the year ended 31 December 2021 has been approved by the Board and was signed off on its behalf by:

Throgmorton UK Limited
Company Secretary | 2 March 2022

Board of Directors

	MARK PAIN	**DUNCAN GARROOD**	**LYNNE FENNAH**
	Non-Executive Chairman	*Chief Executive Officer*	*Chief Financial and Sustainability Officer*
Appointed	1 September 2018	28 September 2020	26 June 2017
Independent	Yes	No	No
Committee Memberships	[Ⓝ] [Ⓔ] Ⓡ	Ⓔ	Ⓔ
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 roles in the consumer/leisure sectors – Significant expertise in the consumer and leisure sectors	– Chartered accountant – Over 35 years' experience in real estate and hospitality sectors, covering finance, operations, tax, regulatory compliance, HR and IT
Principal External Appointments	– Non-executive director – AXA Insurance UK – Chairman – London Square – Non-executive director – Close Brothers Group plc	– None	– Vice Chair – 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 Ⓝ Nomination Ⓐ Audit and Risk Ⓡ Remuneration Ⓔ ESG [ ] Chair

ALICE AVIS MBE

Senior Independent Non-Executive Director

1 March 2019

Yes

Ⓡ Ⓝ Ⓔ Ⓐ

- 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 - Not standing for re-election at the AGM

Yes

Ⓡ Ⓐ Ⓝ Ⓔ

- 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
- 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

MARTIN RATCHFORD

Non-Executive Director

1 October 2021

Yes

Ⓐ Ⓡ Ⓝ Ⓔ

- Chartered accountant
- Over two decades of strong leadership experience in UK and International real estate, listed and funds space, including student accommodation
- In-depth experience of raising debt and equity, managing large teams, complex real estate transactions, systems & control environments

- Chief finance officer at Frasers Property UK Limited, part of Frasers Property, a global real estate group

- Finance director of Real Estate and Funds – Thomas Cook plc
- Head of Europe – Finance – British Land plc
- Finance director – 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 all our stakeholders.*

Our Approach to Corporate Governance

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 all our 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").

In previous years, the Company did not comply with Provision 24 of the Code as I had been made a member of the Audit and Risk Committee on joining the Board due to my significant level of experience as a chartered accountant.

However, on 29 July 2021, I stepped down from the Audit and Risk Committee with Alice Avis joining the Committee. From this point the Company fully complied with all provisions of the Code and expects to continue to do so.

The following Corporate Governance Report sets out how the Company has applied the Code during the 2021 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 December 2021. Copies of these are available from the Company Secretary or the Company's website *www.empiric.co.uk*

Company Purpose and Culture

The Board believes that having a clear purpose and a values-based culture is the key to creating a business with strong governance. Last year we defined the Company's purpose as set out on the inside front cover, ensuring it aligned with the Company's strategic objectives (see page 12) and the interests of the Company's key stakeholder groups.

During the year, we revisited our values to ensure they were fit for purpose. Through speaking with our colleagues and understanding what meant the most to them we were able to derive an updated set of values. We launched these values from 1 July 2021 (see page 26 for details).

The Board will continue to regularly assess 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.

Strategy Meetings

In October, the Board held a full-day strategy session. The strategy meeting was structured to provide the Executive Directors and the Non-Executive Directors, in particular, with an opportunity to focus on the development and execution of, and provide challenge to, the Company's corporate strategy.

The Executive Directors, members of the Management Committee and other external specialists delivered a number of presentations, providing in-depth analysis on a number of areas. The meetings were carefully structured to achieve a balance between presentations, debate and discussion.

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. Further details of the Board's engagement with the Colleague Forum can be found within the s.172 statement on page 46.

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.

Since 2020, we have put greater focus within the business on our ESG agenda, forming an ESG Committee. The Board believes that the successful delivery of an ESG strategy is beneficial for the interests of all our key stakeholders while also placing us in a strong position for the future.

The Board is mindful that as the business develops and grows, the interests of the key stakeholder groups will change, and the Board will continue to monitor these interests.

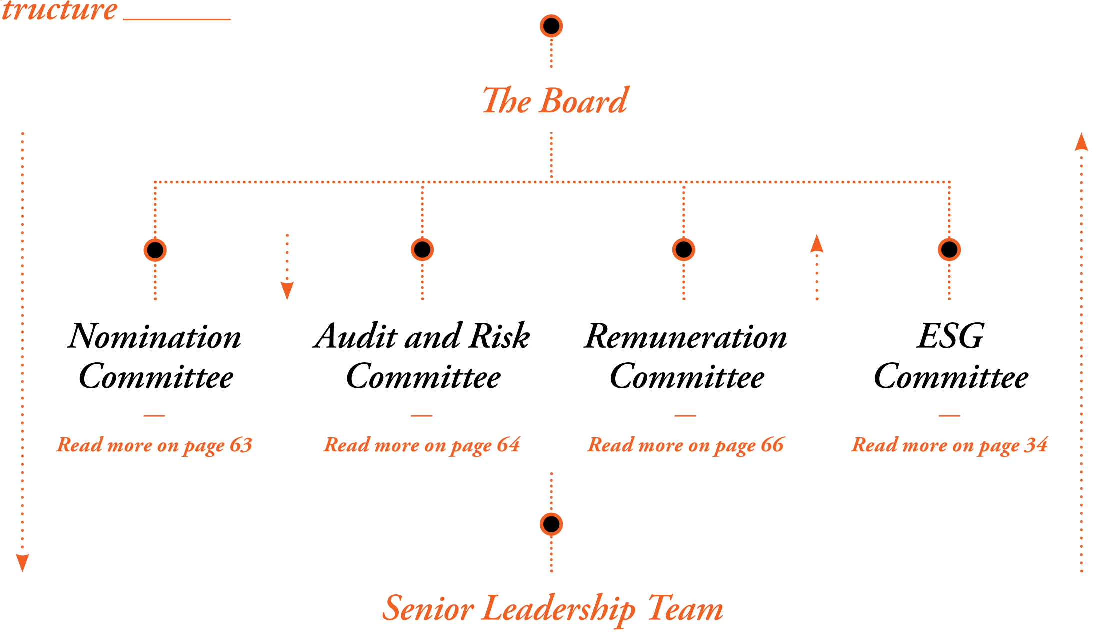
There is continued significant interest shown in the need for effective corporate governance and there are a number of developments in legislation, regulation and guidance expected to be implemented in the coming years. One example of this is the new TCFD disclosures shown on page 44.

We are committed to ensuring we have the highest standards of corporate governance and during 2022 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 54 and 55.

Governance Structure



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 CSO – **Lynne Fennah**	– Overseeing sustainability across the business; – Leading the finance 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 – **Alice Avis**	– Acting as a sounding board for the Chairman and intermediary for the other Directors; – Leading the evaluation of the Chair on behalf of the other Directors; and – Being available to shareholders to raise their concerns if they cannot be resolved through other channels.
Non-Executive Directors – **Martin Ratchford, 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 2021, 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 Throgmorton, 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. The agenda, along with the Board papers, are sent well in advance allowing sufficient time to the Directors which enable effective decision making in 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 seven regular Board meetings and two ad hoc meetings. The table below shows the Directors' attendance at Board meetings in 2021. 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	*7 (7)*	*2 (2)*
Duncan Garrood	*7 (7)*	*2 (2)*
Lynne Fennah	*7 (7)*	*2 (2)*
Jim Prower resigned 30 September 2021	*5 (5)*	*2 (2)*
Stuart Beevor	*7 (7)*	*2 (2)*
Alice Avis	*7 (7)*	*2 (2)*
Martin Ratchford appointed 1 October 2021	*2 (2)*	*0 (0)*

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 Alice Avis as the Senior Independent Director and considers the views of the Executive Directors.

Key Focus for 2022

- Board succession planning
- Delivering our key priorities as set out on page 19
- Continuing investment in our employees
- Optimising business performance as we exit COVID-19
- Developing and growing in stakeholder engagement and environmental sustainability

Board Activities During the Year

Strategic Topic	*Areas of Focus*
Customer Focus	– Ensuring the continued safety of our customers. – 2021 Global Student Living Index result.
People	– Achieving "One to Watch" in the Best Companies survey. – 2021 colleague engagement survey.
Capital Efficiency	– Refinancing and capital allocation to ensure liquidity and covenant headroom. – Investor engagement.
ESG	– Undertaking a materiality review of our key ESG pillars. – Starting to develop our ESG strategy and road map.

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/CSO a 12-month notice period; 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. Martin Ratchford, our new Audit and Risk Chair, is proposed for election to the Board at the AGM on 23 May 2022.

All appointments to the Board are subject to a formal, rigorous and transparent process. Further details can be found on page 63.

Board Induction and Training

Martin Ratchford received a thorough formal induction on his appointment. This included meeting members of the Board and Senior Leadership Team, and meetings with key advisers.

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.

The Chairman and the two Executive Directors attended the Leading Safely training course ran by the Institute of Safety and Health.

Time Commitment of Non-Executive Directors and External Appointments

Non-Executive Directors are required to devote sufficient time to fulfil their responsibilities to the Group, to prepare for meetings, and to regularly refresh and update their skills and knowledge. Each Director's other significant commitments are disclosed to the Board at the time of their appointment and they are required to notify the Board of any subsequent changes. Each Director is also required to seek permission from the Chairman of the Company prior to accepting any other directorships of publicly quoted companies.

The Chairman has reviewed the availability of the Non-Executive Directors and considers that each of them is able to, and in practice does, devote the necessary amount of time to the Group's business.

The Senior Independent Director has reviewed the availability of the Chairman and considers that he is able to, and in practice does, devote the necessary amount of time to the Group's business.

Board Succession and Elections

Board succession is reviewed at every Nominations Committee meeting. See page 63 for detail.

In line with leading practice, Directors will submit themselves annually for re-election at the AGM. Mark Pain, Duncan Garrood, Lynne Fennah and Alice Avis will therefore stand for re-election at the AGM on 23 May 2022. Martin Ratchford will be submitted for election at the AGM as he was appointed during the year. Stuart Beevor will not be seeking re-election at the AGM. The formal performance evaluation carried out in December 2021 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 2021, the Chairman led an internal evaluation of the effectiveness of the Board and its Committees.

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 the Senior Independent Director); and
- Committee effectiveness.

The results of the evaluation were reviewed by the Chairman and reported to the Board in the January 2022 meeting.

The Board effectiveness review concluded that the Board and Committees continued to operate effectively throughout 2021. Nevertheless, a number of suggested enhancements are proposed for 2022, which include:

For the Board:

- Ensuring that the organisation's vision, values and culture are embedded in all levels of the organisation.
- Developing the strategic plan further to optimise shareholder returns.
- Ensuring that the optimisation of the Hello Student operating platform is driving improvements in digital customer service.
- Continued focus on delivering the ESG Strategy with further development of ESG KPIs to enable the Board to assess progress.

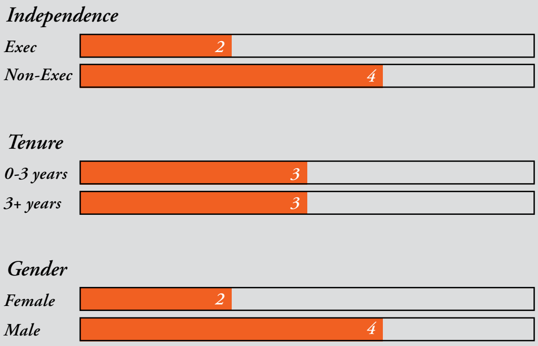
For the Audit and Risk Committee:

- Ensuring that the Committee has appropriate understanding, review and oversight of operational process controls across the business.

These topics will be progressed at the Board and Audit and Risk Committee in 2022.

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

Board Diversity



Update on Actions Arising from the 2020 Board Evaluation

In December 2020, 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 2021.

Key Findings	*Actions Taken*
The Board needs to develop a more comprehensive succession plan for the Executive Directors and Senior Leadership Team, including an assessment of organisational talent.	– Non-Executive Director succession plan reviewed and agreed at the Nominations Committee. – A detailed and comprehensive Executive Director succession plan was reviewed at the Board in May 2021.
There is a requirement to refresh, lead and drive the organisation’s vision, values and culture, ensuring consistent leadership and behaviours through all levels of the organisation.	– Through internal consultation with all our colleagues we revisited our values and introduced a new set of Group values from 1 July 2021. See page 26 for details. – Widened the Senior Leadership team to include a number of senior colleagues. These are the key people managers and leaders in our business, and were tasked with driving the organisation’s vision and values across the Group.
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.	– Held a full-day strategy session in October 2021, which started to develop a new strategy. This will continue to be worked on through 2022.
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.	– During the year, the Audit and Risk Committee reviewed the internal controls of the Group through a paper tabled at the Committee. The Committee did not find any control deficiencies. – We have continued to develop our risk framework with the inclusion of disclosure around relevant emerging risks in the year.

Corporate Governance continued

Audit, Risk and Internal Control

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 48 to 53 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 a bi-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.

The Board is reviewing the need for an internal audit function, with a view that some form of internal audit function will be in place by the end of 2022. Please refer to page 54 of the Audit and Risk 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 CFO and CSO Statement on pages 30 to 33. 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 33.

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 49 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 2026. Further details are set out in the Viability Statement on page 49, and in the Principal Risks and Uncertainties section on pages 48 to 53.
- The Company has a continuing process for identifying, evaluating and managing the risks it faces. Further details are set out on page 48.
- 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 48 to 53.
- 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 79 for more information.

MARK PAIN
Non-Executive Chairman | 2 March 2022

Nomination Committee Report

MARK PAIN

Nomination Committee Chairman

During the year, the Committee oversaw the appointment of an Operations Director and a new Marketing Director. It also led the appointment of a new Non-Executive Director.

Committee membership and meetings

	Meetings
Mark Pain	4 (4)
Jim Prower	3 (3)
Stuart Beevor	4 (4)
Alice Avis	4 (4)
Martin Ratchford	1 (1)

Meetings and Activities

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

- The retirement of the Operations Director.
- The creation of a new senior Executive role, Marketing Director.
- Changes to the Senior Leadership Team.
- Succession planning for the Board.

Appointment of an Operations Director and a new Marketing Director

The Nominations Committee oversaw the appointment of two members of the senior Executive leadership team. Both appointments followed a similar process. A detailed role specification was put together and reviewed by members of the Nominations Committee. Redgrave Partners, a leading external search firm with extensive experience of the Group, 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, long lists were generated, and reviewed by the CEO and CFO/CSO. A short list of candidates was then taken through for formal assessment which included interviews with a number of Board members. Selected candidates were then taken through for psychometric testing and independent referencing. The Board unanimously agreed to the appointments of Wes Brown who was appointed Operations Director, replacing Nan Richards, following her planned retirement at the end of 2021, and Gemma Le Marquer with effect from June 2021 to the newly created position of Marketing Director, with a focus on driving occupancy and revenue.

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, whilst the Non-Executive Directors' succession planning mirrors the breadth of skills and experience the current Board holds.

During the year, Jim Prower informed the Board of his intention to stand down as the Senior Independent Director and Chair of the Audit and Risk Committee. Redgrave Partners were appointed to lead the search process in finding his replacement. Having conducted a market-wide search across a range of industry sectors, a long list was generated, and reviewed by the Board. The focus of the agency was to get the most suitable candidate and candidates from diverse backgrounds. A short list of candidates were then taken through a formal assessment process which included interviews with Board members.

On 1 October 2021, Martin Ratchford was appointed as a Director of the Company and Chairman of the Audit and Risk Committee. Alice Avis was appointed Senior Independent Director.

The Committee will continue to review the succession plan throughout 2022.

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.

Biographies for each Director can be found on pages 54 to 55.

Board Diversity

Whilst much of the focus of analysis and guidance in relation to diversity and ethnicity is centred on companies which sit within the FTSE 350, of which Empiric is not a part, the Committee, Board and Group recognise the benefits of diversity in its broadest sense, including gender, ethnicity, age and educational and professional background.

In terms of gender diversity, 33% of the Board are women, in line with the voluntary target set by the Hampton-Alexander Review, with two of the senior Board positions, CFO/CSO and Senior Independent Director, held by women. Below the Board, the senior Executive leadership team also consists of 33% women. More information about gender diversity in the Group as a whole can be found on page 39.

The Parker Review (2017) made recommendations to increase the ethnic diversity of UK boards within the FTSE-350. In terms of ethnic diversity, the Company is diverse with 11% of the Group's employees identifying as being from an ethnic minority. The Company has also invested in additional support and career pathways to increase diversity in the workforce. During the process to replace Jim Prower as a Non-Executive Director, the Board considered a long list of candidates which were appropriately gender and ethnicity balanced. More information about ethnicity in the Group as a whole can be found on page 39.

We will continue to target diversity at Board, Senior Leadership team, and throughout the Company and will comply with all emerging best practice in this area. We intend to maintain an appropriately diverse Board and Senior Leadership team and will actively seek to continue to increase diversity. Where vacancies arise, we only accept diverse candidate lists; diversity is, and will remain, core to our decision making whilst at all times looking to appoint the best candidate for the role.

MARK PAIN

Nomination Committee Chairman | 2 March 2022

Audit and Risk Committee Report

MARTIN RATCHFORD

Audit and Risk Committee Chairman

> *The Audit and Risk Committee continued its focus on monitoring the quality and integrity of financial management and reporting, including the valuation process.*

Committee membership and meetings

	Meetings
Martin Ratchford	1 (1)
Stuart Beevor	4 (4)
Alice Avis	1 (1)
Mark Pain	2 (2)
Jim Prower	3 (3)

Having been appointed as a Non-Executive Director and Chair of the Committee on 1 October 2021, I am pleased to present the Audit and Risk Committee report for the year ended 31 December 2021. I would like to thank Jim Prower for his successful stewardship during the previous seven years, which included a period of challenge, including the unique issues posed by COVID-19.

Role and Responsibilities of the Audit and Risk Committee

- Review the work of the external auditor and valuers and the significant financial judgements made by management.
- Monitor the integrity of the Company's financial statements and any formal announcements relating to financial performance, and consider 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 and Risk Committee's terms of reference are on Empiric's website at: ***www.empiric.co.uk/investor-information/company-documents***

Meetings and Activities

The Audit and Risk Committee met four times during the year, coinciding with key events in the annual financial reporting cycle. I become Chair of the Committee on 1 October 2021. Members' attendance at Committee meetings is set out on the table opposite. In addition, Committee meetings were attended by the CEO, the Chief Financial and Sustainability Officer and representatives of our external auditor BDO LLP ("BDO"), our external valuer CBRE and the Company Secretary. The Committee also met with the auditor without any representative of the Executive team present.

External Auditor and Other Services

BDO has 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 partner, 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 continues to support us as a provider of tax compliance and advisory services to the Group.

Internal Audit

The Audit and Risk Committee has reviewed and concluded that the Group will develop an internal audit function in 2022. This follows the completion of the internalisation of the operational platform in 2021.

The Committee looks forward to outlining in more detail in the 2022 Annual Report the progress made on the establishment of the internal audit function.

During 2021, the Committee has continued to review the effectiveness of the internal control environment through receiving and challenging reports prepared by the Group Financial Controller and CFO/CSO on the internal controls in place within the Group. No significant weaknesses were identified through the course of the Committee's reviews which gave the Committee comfort over the robustness and effectiveness of the controls in place.

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. 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. One area of improvement highlighted that will be addressed in 2022 was that the whistleblowing hotline was not externally managed.

The Committee has concluded 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 78 and 79.

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 2021, and the actions taken to address these issues, are set out in the following table:

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 and Risk 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, brokers, auditor and the Audit and Risk 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 2021, 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 79.

MARTIN RATCHFORD
Audit and Risk Committee Chairman | 2 March 2022

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 48 to 53; whether the five-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 49.
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 a number of times in the year to challenge and independently audit their valuation.

Statement from the Chairman of the Remuneration Committee

STUART BEEVOR

Remuneration Committee Chairman

> *The COVID-19 pandemic continued to create significant challenges in 2021 and, notwithstanding the huge efforts made by all staff and the ongoing improvements to operations, our approach continues to seek prudent alignment between executive remuneration and shareholder returns.*

Committee membership and meetings

	Meetings
Stuart Beevor	*4 (4)*
Mark Pain	*4 (4)*
Jim Prower	*3 (3)*
Alice Avis	*4 (4)*
Martin Ratchford	*1 (1)*

Activities

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

Dear Shareholders

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2021.

The report is divided into three parts:.

– The Annual Statement which summarises the remuneration outcomes in 2021, the key decisions taken and how the Remuneration Policy ("Policy") will be applied in the current financial year.

– A summary of the Policy which was approved by shareholders in May 2020.

– The Annual Report on Remuneration which sets out full details of all remuneration matters.

2021 performance and reward

The operational improvements and in-housing of operations undertaken in recent years has enabled Empiric to manage the challenges of the ongoing impact of COVID-19. In 2021 further changes were made to our operational structure to improve customer experience with provision of 24 hour staffing cover in the majority of our buildings and the full delivery of the revenue management platform. Our staff have worked tirelessly to provide great service and, coupled with our flexible approach to refunding rent when customers were unable to occupy their rooms, our customer satisfaction as reflected in survey data supports our strong reputation and demonstrates our customer-led approach is adding value to our customers, staff and shareholders. I would like to take this opportunity to thank all staff for their continuing efforts which are very much appreciated by the Board.

As outlined earlier in this Annual Report, 2021 has seen significant progress in a number of areas that are fundamental in building a strong, fit-for-purpose operating business. This progress is reflected in the Executive annual bonus where prudent cost control and delivery of key individual strategic objectives resulted in a formulaic outcome of 55% of maximum. The Committee then considered the appropriateness of this outcome in the context of overall financial performance, with particular focus on net income performance which was below target. Following that review, the Committee exercised its discretion to reduce the bonus outcome to 10% of maximum which it felt was a fair recognition of overall performance delivery.

The vesting of the LTIP awards granted to Lynne Fennah on 23 August 2018 and on 24 April 2019 were both subject to a performance condition of Total Return (Net Asset Value growth and dividends) assessed over performance periods ending in 2021. Actual performance was below the threshold level for both awards so no LTIP shares vested.

Duncan Garrood and Lynne Fennah were each granted an LTIP award in April 2021 over shares worth 150% of their respective 2021 salaries. In determining the number of shares, the Remuneration Committee considered using the average share price for the 12-month period to 31 March 2021 of 66.45 pence (our standard methodology) was not appropriate due to the depressed level of the share price, due to the exceptional COVID-19 pandemic circumstances pertaining at the time. The Committee therefore exercised discretion in deciding use of a higher share price, 75 pence, was more appropriate, as the share price was 76.6 pence when the 2020 Annual Results were announced and 75 pence was also used in determining Duncan Garrood's LTIP award in October 2020. This use of discretion reduced the number of shares awarded by approximately 11%.

Full details of 2021 reward outcomes are set out on page 72.

Workplace Engagement and Remuneration

Our staff are crucial to delivering our customer offer and we restructured our on-site staff model to provide 24 hour cover in the majority of our buildings. This has led to a number of new roles and staff changes, including a relatively high level of turnover. To ensure we can attract the right calibre of staff, salary increases for a number of on-site roles have been awarded. This is partly reflected in the 6.9% salary increase for eligible staff (excludes recent joiners) effective 1 January 2022, but also in salaries offered to new joiners during the year. Alongside the Company's commitment to pay the Living Wage, the Committee is satisfied that pay and conditions are appropriate and that turnover levels should stabilise at an appropriate level.

The Colleague Forum is well established and is a formal workforce advisory panel consisting of 12 employee representatives across the Group. The 12 original employee members rotated off in 2021 and we thank them for their insight and positive contribution. Twelve new colleagues have now joined the Forum. It met twice formally in 2021 and is supported by Alice Avis, Senior Independent Director.

Two colleague engagement surveys were undertaken in 2021 with the output showing a good result, bearing in mind the organisational restructuring and staff turnover level (for further information see page 22, Investments in People).

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 third 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 in 2020 on furlough (whilst not claiming government funds) has affected the results slightly. Our analysis based on data available on 5 April 2021 shows that the mean gender pay gap is 4.99% (with females paid more than males) and the mean gender bonus gap is -448.9% (females paid higher bonuses than males). Note the reporting period is for the year to April 2021 and the fact that no bonuses were paid in 2021 has impacted this year's gender pay reporting. 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 was 20:1; full details are set out on page 75. 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 has 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) receive 7.5% pension contribution and that the Senior Leadership Team (the level immediately below the Executive comprising six members) were awarded an LTIP in 2021, subject to the same performance conditions as Executive.

Following shareholder approval at the AGM in May 2021 the save as you earn share scheme was launched to allow our people the opportunity to buy into the success of our Company.

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 to 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 68 to 70.

Executive pension alignment

The Committee, and the Board, are aware of the requirement of the majority of shareholders to align existing Executive pension contributions with that of the majority of the workforce. Lynne Fennah's current contribution rate of 15% is therefore non-compliant and, following discussion with Lynne, it has been agreed that her pension contribution will reduce to 7.5%, in line with the majority of the workforce, with effect from 1 January 2023.

2022 Reward Decisions

The Committee undertook a thorough review of Executive salaries taking advice from Deloitte, our Remuneration Consultant. As a result, salaries were increased by 2.5% with effect from 1 January 2022. Duncan Garrood's salary was fixed since joining in October 2020 and Lynne Fennah's salary was last changed in January 2020. The Board is extremely conscious of the need to manage costs, but the Remuneration Committee feel it is imperative to offer attractive salaries and believes 2.5% is the minimum increase to be prudent in the present circumstances.

The Executive bonus plan arrangements for 2022 follow the same structure as 2021, with a maximum payout of 110% of salary and three equally weighted objectives, which for 2022 are revenue occupancy, the level of fully covered dividends and specific individual objectives based on strategic KPIs.

Both Executive Directors will receive LTIP awards in 2022, as in 2021, over shares worth 150% of salary. The vesting of the LTIP award is subject to two performance measures, each being 50% of the award for the period 1 January 2022 to 31 December 2024. 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).

Strategic and Shareholder Alignment

In setting Executive remuneration in 2022, 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 revenue occupancy and the level of fully covered dividends, and individual specific strategic measures.
- Executives are aligned with the principle of shareholder value creation through participation in the long-term incentive plan that rewards growth in NAV plus dividends and relative shareholder returns.
- The Executive 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.
- The Remuneration Committee is acutely aware of the need to align Executive remuneration, and that of the rest of the workforce, with shareholder returns, whilst fully recognising that remuneration should motivate and reward continued performance, hard work and commitment.

We are confident that Empiric is well positioned to benefit from the operational restructuring which has been undertaken and that when financial results feed through into shareholder returns, improved Executive variable rewards will follow.

Full details of how the Remuneration Policy will be applied during 2022, as well as how Directors were paid in 2021, are set out on pages 71 to 77. There will be an advisory shareholder vote on this section of the Remuneration Report at our 2022 AGM.

Committee Changes

Martin Ratchford joined the Committee in October 2021 following Jim Prower's retirement. I will be retiring from the Board at the upcoming AGM and Alice Avis will succeed me as take the responsibility as the Chair of the Remuneration Committee with effect from 1 April 2022. I am grateful to shareholders for their candid engagement during my tenure. We greatly value engagement with our shareholders and look forward to your support at the forthcoming AGM.

STUART BEEVOR
Remuneration Committee Chairman | 2 March 2022

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 2022 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.

A new Policy will be presented to Shareholders for approval at the 2023 AGM.

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.

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.
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.

Remuneration Committee Report continued

Value Delivery Plan (VDP)

Removed from Policy. No further VDP awards will be granted

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 2022 Annual General Meeting.

Implementation of the Remuneration Policy in 2022

This section provides an overview of how the Committee is proposing to implement the Remuneration Policy during 2022.

Base Salary

As discussed in the Remuneration Committee Chairman's statement, executive salaries increased by 2.5% with effect from 1 January 2022, following a comprehensive review and having taken advice from Deloitte, our Remuneration Consultants. The prior and current salaries are set out below. For information, there was no salary increase in 2021.

Executive Director	*Prior salary*	*Current salary*
Duncan Garrood	£400,000 fixed 28 September 2020	£410,000 with effect from 1 January 2022
Lynne Fennah	£316,200 fixed 1 January 2020	£324,105 with effect from 1 January 2022

Pension and Benefits

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

The Committee, and the Board, are aware of the requirement of the majority of shareholders to align existing executive pension contributions with that of the majority of the workforce. Lynne Fennah's current contribution rate of 15% is therefore non-compliant and, following discussion with Lynne, it has been agreed that her pension contribution will reduce to 7.5%, in line with the majority of the workforce, with effect from 1 January 2023.

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 continue to be determined by three equally weighted performance measures which for 2022 are :

- Revenue Occupancy (one third of bonus)
- Fully covered dividend (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 2022 as the Company continues to manage out of the COVID-19 pandemic period and optimises the opportunities following the in-housing of all functions and the strengthening of the senior management team. 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.

Each Executive has three personal specific objectives linked to strategic KPIs.

For Duncan Garrood these are: further development and successful implementation of the corporate strategy; workplace engagement, culture, talent development and people retention; and further improvement in customer service.

For Lynne Fennah these are: successful implementation of the financial elements of the corporate strategy; successful implementation of the ESG strategy including planning to reach net zero; and fully extend the financial capability of the Company including IT and an internal audit function.

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

As in 2021, Duncan Garrood and Lynne Fennah will be awarded an LTIP for 2022 equivalent to 150% of salary, with the number of shares determined by the average share price in the 12 months preceding grant, or in exceptional circumstances such other share price deemed appropriate by the Committee. 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 2022 to 31 December 2024, 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 2022 to 31 December 2024.

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 2022 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 and Risk 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 2021

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 2021 alongside the equivalent data for the previous year.

	Year ended 31 December 2021							
	Salary and fees (£)	*Benefits (£)*	*Pension (£)*	*Total Fixed (£)*	*Annual bonus (£)*	*Long-term incentives (£)*	*Total Variable (£)*	*Total (£)*
Executive Directors								
Duncan Garrood	***400,000***	***17,829***	***30,000***	***447,829***	***44,000***	–	***44,000***	***491,829***
Lynne Fennah	***316,200***	***14,073***	***47,430***	***377,703***	***34,782***	–	***34,782***	***412,485***
Non-Executive Directors								
Mark Pain	***115,000***	–	–	***115,000***	–	–	–	***115,000***
Jim Prower[1]	***39,375***	–	–	***39,375***	–	–	–	***39,375***
Stuart Beevor	***48,000***	–	–	***48,000***	–	–	–	***48,000***
Alice Avis[1]	***42,250***	–	–	***42,250***	–	–	–	***42,250***
Martin Ratchford[1]	***12,000***	–	–	***12,000***	–	–	–	***12,000***

	Year ended 31 December 2020							
	Salary and fees (£)	*Benefits (£)*	*Pension (£)*	*Total Fixed (£)*	*Annual bonus (£)*	*Long-term incentives (£)*	*Total Variable (£)*	*Total (£)*
Executive Directors								
Tim Attlee[2]	*204,000*	*12,784*	*30,600*	*247,384*	–	–	–	*247,384*
Duncan Garrood[3]	*101,538*	*4,504*	*7,615*	*113,657*	–	–	–	*113,657*
Lynne Fennah[4]	*336,200*	*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	*40,000*	–	–	*40,000*	–	–	–	*40,000*

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 and car allowance.

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

Long-term incentive – These columns relate to the value of long-term awards whose performance period ends in the period under review. The Remuneration Committee determined that the performance condition for the LTIPs granted in August 2018 and April 2019 had not been met and accordingly none of these awards vest.

Pension – Duncan Garrood received a Company contribution worth 7.5% of base salary: Lynne Fennah 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 – Jim Prower resigned from the Board on 30 September 2021 and Martin Ratchford joined on 1 October 2021 as Audit and Risk Chair. Alice Avis was appointed Senior Independent Director effective 1 October 2021.

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

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

4 – Lynne Fennah's salary was temporarily enhanced by an acting-up allowance of £20,000 in 2020 due to her additional responsibilities and workload in Q3 2020 when there was no Chief Executive Officer. There were no pension contributions attached to this allowance.

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

2021 Annual Bonus

Duncan Garrood and Lynne Fennah participated in the 2021 annual bonus scheme with a maximum annual bonus opportunity of 110% of salary based on the performance targets set out below.

The maximum potential annual bonus that could be paid to the Executive Directors in respect of the year ended 31 December 2021 was determined by a combination of three performance measures, being total revenue (one-third), total costs (one-third) and specific individual objectives (one-third).

Performance targets are set out below.

Performance measure	*Proportion of bonus determined by measure*	*Threshold performance 0% payable*	*Maximum performance 100% payable*	*Actual performance*[1]	*% of maximum bonus payable*
Revenue	*33.33%*	*90% of budget*	*110% of budget*	*83.5%*	*0%*
Costs	*33.33%*	*105% of budget*	*95% of budget*	*96.1%*	*29.6%*
Individual specific objectives Duncan Garrood Lynne Fennah	*33.34%*	*See below*		*75%*	*25.0%*
Total before application of Committee discretion					*54.6%*
Total after application of Committee discretion					*10%*

In setting the revenue and costs performance targets for 2021, the Remuneration Committee recognised the uncertainty caused by the exceptional COVID-19 circumstances. These measures were therefore made subject to a net income override, calculated by deducting total costs from total revenue, which ultimately determines the level of potential covered dividends, thus aligning executive reward to shareholders. As the actual net income was significantly below budget, the Remuneration Committee applied its discretion and concluded that no bonus should be payable in respect of the two financial targets in the table above.

Good progress was achieved by both Executives on their respective individual specific objectives. The Remuneration Committee determined that performance warranted a 75% score for both Executives. Applying this to one-third of the total bonus payable resulted in 25% of maximum payout. The Committee considered this outcome in the context of overall Company financial performance and exercised discretion to reduce this level of payout to 10% of maximum bonus for both Executives. This will be paid 60% cash and 40% deferred shares. More detail is provided on achievements on each specific objective below.

Achievement against individual Executive objectives:

Duncan Garrood

Objective	**Outturn**	
The completion and appropriate implementation of a Board approved 2022-24 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.	Strategic Plan approved, portfolio segmentation analysis significantly concluded, including £45 million of asset sales completed or unconditionally exchanged, Hello Student Brand proposition progressed but delayed due to COVID-19.	✓✓
Optimising the Hello Hub operating platform, including the implementation of a new revenue optimisation programme, and tangible digital customer service improvements.	Revenue management pricing programme implemented, online booking process time partly reduced, customer conversion rate improved by 35%.	✓✓
Develop workplace engagement and culture, to bring an improved performance on customer service, internal talent development and ESG traction.	82% Colleague survey engagement achieved, NPS measured twice in year at +27 and +22, internal staff appointments increased from 13% to 23%.	✓✓✓

Lynne Fennah

Objective	**Outturn**	
The completion and appropriate implementation of a Board approved 2022-24 strategic plan, including a forensic review of the cost base.	Strategic plan approved, strategic cost plan achieved and five-year business plan approved.	✓✓
Provide oversight across all business processes, to ensure alignment with the business strategy, efficiency, cost minimisation and regulatory compliance.	New revenue management platform successfully completed, restructuring of the IT function and establishment of a Project Office team to support further development road map.	✓✓
Develop and execute a Board-approved ESG strategy, including a stakeholder engagement and communication plan.	Five-year ESG plan approved by Board, ESG communication plan covering all stakeholders agreed, Board governance review completed and new Company Secretary appointed at year end.	✓✓✓

Key: Some progress ✓ Good progress ✓✓ Excellent progress ✓✓✓

The table below sets out the annual bonus awards made in respect of the 2021 financial year

	Bonus award percentage of maximum	*Bonus paid in cash*	*Bonus awarded in deferred shares*	*Total bonus*
Duncan Garrood	*10%*	*£26,400*	*£17,600*	*£44,000*
Lynne Fennah	*10%*	*£20,869*	*£13,913*	*£34,782*

Note: Receipt of shares will be deferred for three years.

Annual Report on Remuneration continued

LTIP Vesting

The vesting of the LTIP award granted to Lynne Fennah on 23 August 2018 and on 24 April 2019 were subject to a performance condition of Total Return (Net Asset Value growth and dividends) relative to threshold and maximum targets for the period 1 July 2018 to 30 June 2021 and 31 December 2018 to 31 December 2021 respectively.

TR 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. Vesting is subject to an additional two-year holding period.

The following table provides details of the LTIP awards granted to Duncan Garrood and Lynne Fennah on 22 April 2021.

	Type of award	*Maximum number of shares*	*Face value £*	*Threshold vesting*	*End of performance period*
Duncan Garrood	*LTIP*	*800,000*	*600,000*	*25% of award*	*31 December 2023*
Lynne Fennah	*LTIP*	*632,400*	*474,300*	*25% of award*	*31 December 2023*

Duncan Garrood and Lynne Fennah were each entitled to a LTIP award over shares worth 150% of annual salary at the start of the year. The number of shares in the award (and the face value in the above table) was calculated using a Company share price of 75 pence. The Remuneration Committee considered using the average share price for the 12-month period to 31 March 2021 of 66.45 pence (our standard methodology) was not appropriate due to the depressed level of the share price due to the exceptional conditions arising from the COVID-19 pandemic. The 75 pence amount was considered appropriate as the share price was 76.6 pence when the 2021 Annual Results were announced and 75 pence was also used in determining Duncan Garrood's LTIP in October 2020. Vesting of these awards 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 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.

Payments to Past Directors (Audited)

There were no payments to past Directors during 2021 other than those relating to the former CEO previously outlined in the 2020 Remuneration Report.

Payments for Loss of Office (Audited)

There were no payments for loss of office.

Statement of Directors' Shareholdings and Share interests (Audited)

The table below shows the Directors' share ownership as at 31 December 2021.

The standard shareholding guideline is that Executive Directors are expected to build up and retain a shareholding worth at least 200% of salary. Subject to the incentive plans delivering at least a target level of award, 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.

Executive 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 2021	*Beneficially owned shares at 31 December 2021 (number of shares)*	*% of salary*[1]	*Outstanding LTIP awards subject to performance and employment conditions at 31 December 2021*[2] *(number of shares)*	*Outstanding annual bonus awards subject to employment conditions at 31 December 2021*[3] *(number of shares)*
Mark Pain	*£2,500*	*100,000*	–	–	–
Duncan Garrood	–	–	–	*1,200,000*	–
Lynne Fennah	*£1,385*	*55,400*	*15%*	*1,647,139*	*156,070*
Jim Prower[4]	–	–	–	–	–
Stuart Beevor	*£500*	*20,000*	–	–	–
Alice Avis	–	–	–	–	–
Martin Ratchford	–	–	–	–	–

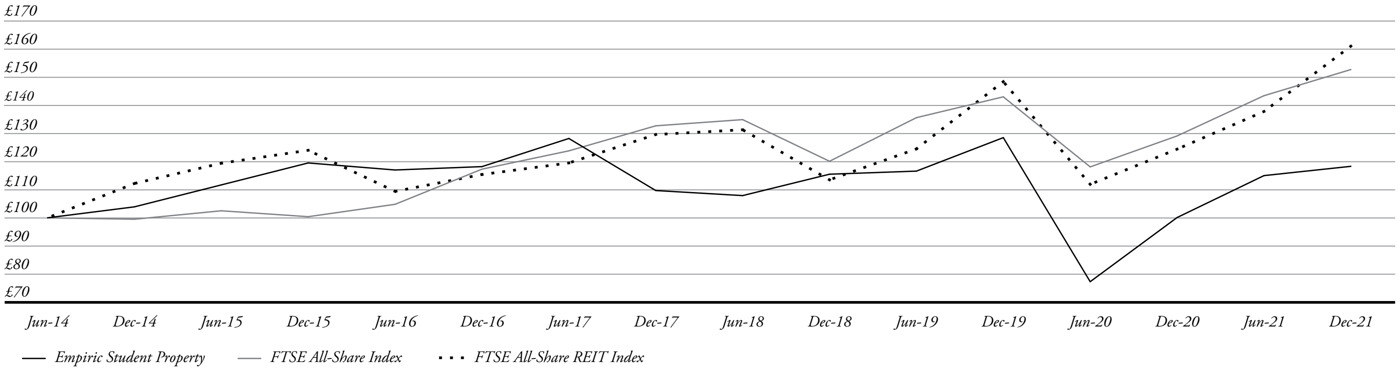
1 Value-based on salary effective from 1 January 2021 and the closing share price on 31 December 2021 of £0.86.
2 These are outstanding LTIP awards subject to the performance conditions disclosed in this or previous Remuneration Reports.
3 These are outstanding deferred awards granted pursuant to the annual bonus plan.
4 Figures up to point of cessation as Director.

Between 31 December 2021 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]	*12 months ended 31 December 2021*
CEO single figure of remuneration	*£576,263*	*£748,160*	*£314,455*	*£731,442*	*£539,500*	*£670,557*	*£361,041*	*£491,829*
Annual bonus payout (% of maximum)	*100%*	*100%*	*50%*	*0%*	*25.1%*	*42%*	*0%*	*10%*
LTIP vesting	*n/a*	*n/a*	*n/a*	*63.7%*	*0%*	*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*
2021	*A*	*23:1*	*20:1*	*15:1*
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*
2021	A	*£20,963*	*£19,500*	*£22,535*	*£20,963*	*£29,025*	*£27,000*

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 2021 (295 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 the fact that the Company has taken a company approach to ensure our colleagues are fairly rewarded, alongside the impact of us becoming a Living Wage Employer.

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 equal to or 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.

Remuneration Committee Report continued

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 2020 and 2021 (plus between 2019 and 2020 as set out in last year's Remuneration Report).

Year to 31 December 2021	*Mark Pain change*	*Alice Avis change*	*Stuart Beevor change*	*Martin Ratchford change*	*Lynne Fennah change*	*Duncan Garrood change*	*Average employee change*
Base salary	*+0%*	*+0%*	*+0%*	*+0%*	*+0%*	*+0%*	*+4.0%*
Benefits	*+0%*	*+0%*	*+0%*	*+0%*	*+0%*	*+0%*	*+0%*
Annual bonus	*+0%*	*+0%*	*+0%*	*+0%*	*+100%*	*+100%*	*-100%*

Year to 31 December 2020	*Mark Pain change*	*Alice Avis change*	*Stuart Beevor change*	*Martin Ratchford change*	*Lynne Fennah change*	*Duncan Garrood change*	*Average employee change*
Base salary	*+0%*	*+0%*	*+0%*	*+0%*	*+2.0%*	*+0%*	*+10.0%*
Benefits	*+0%*	*+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 2021	*Year ended 31 December 2020*
Total staff costs (further details are provided in Note 6 to the Group accounts (page 99)	*£10.3m*	*£9.0m*
Total dividends	*£15.1m*	*£7.6m*

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 2021, the Remuneration Committee consisted of the following Directors: Stuart Beevor, Mark Pain, Jim Prower (until 30 September), Alice Avis and Martin Ratchford (from 1 October). The Committee met four times during the year ended 31 December 2021.

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.

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 £18,700 in fees during the year ended 31 December 2021 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 68 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 2021 Annual General Meeting)	*367,934,030 (98.9%)*	*4,222,310 (1.1%)*	*4,205,421*
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 2 March 2022.
On behalf of the Board:

STUART BEEVOR
Remuneration Committee Chairman | 2 March 2022

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 2021. The Directors' Report and the Strategic Report on pages 1 to 53 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 87.

The interim dividends declared and paid in relation to the year are set out on page 103.

Directors

The names of the Directors of the Company who served during the year are set out on page 59. The biographical details of the current Board are on pages 54 and 55.

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 74.

Future Developments

An indication of the likely future developments of the Company is set out in the Strategic Report on page 13.

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 39.

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 28 to the consolidated financial statements.

Share Capital

At 31 December 2021, the total number of ordinary shares in issue was 603,203,052.

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 49. 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 45.

Substantial Shareholdings

As at 31 December 2021, 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 2021	
Investor	*Number of ordinary shares*	*Percentage of ordinary shares*
CCLA Investment Management	*47,514,278*	*7.88%*
Investec Wealth & Investment	*40,738,337*	*6.75%*
BlackRock	*30,883,450*	*5.12%*
East Riding of Yorkshire	*28,293,515*	*4.69%*
Premier Miton Investors	*28,067,345*	*4.65%*
Transact (EO)	*21,495,603*	*3.56%*

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 2006 and any directions given to 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 25 May 2021, 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 £2,010,536. 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 60,316,094 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 56.

Post Balance Sheet Events

For all details occurring since the balance sheet date, please refer to Note 26 on page 111.

Independent Auditor

BDO LLP has expressed its willingness to continue as auditor for the financial year ending 31 December 2022 and a resolution relating to its reappointment will be tabled at the AGM on 23 May 2022.

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 2022 AGM will be held on 23 May 2022. Further details about the AGM will be provided in the AGM Notice.

This report was approved by the Board on
2 March 2022.

MARK PAIN
Chairman | 2 March 2022

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 conformity with the requirements of the Companies Act 2006. 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, 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 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 | 2 March 2022

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 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- 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.

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 2021 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 their preparation is applicable law and UK adopted international accounting standards and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 and Risk Committee.

Independence
Following the recommendation of the Audit and Risk 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 eight years, covering the financial years ending 30 June 2015 to 31 December 2021. 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 relating 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 and this is reported in the key audit matters section of this report below.

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 and 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% (2020: 100%) of Group profit before tax 100% (2020: 100%) of Group revenue 100% (2020: 100%) of Group total assets		
		2021	2020
Key audit matters	Valuation of investment property	Yes	Yes
	Going concern	Yes	Yes
Materiality	Group financial statements as a whole £10,700,000 (2020: £10,550,000) based on 1% (2020: 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.

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

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.

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, future capital expenditure, 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 was consistent with the data we had 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. We reviewed management's assessment of the future capital expenditure including fire safety works. We obtained a copy of a report detailing the expected works that management commissioned from an external expert, checked that it agreed to management's estimate and assessed the competency, independence and objectivity of the external expert. 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 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 and that the disclosures in the financial statements are appropriate and in accordance with relevant accounting standards.
Going Concern Refer to Note 1.4 (Accounting Policies). 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. There is a risk that any potential breaches in future covenant compliance may result in the bank loans being called due.	We assessed the appropriateness of the Group's cash flow forecasts in the context of the Group's 31 December 2021 financial position and the expected student occupancies and compared the Directors' downside sensitivities against results achieved in the current and previous years along with letting levels obtained for the next student year. 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. The Group has a two facilities that fall due for repayment in the going concern period as disclosed in Note 18. One facility was extended post period end from 17 November 2022 to 17 November 2025, which we agreed to the executed facility agreement. For the second facility we considered the ability of the Company to refinance with their recent track record of refinancing loans and availability of finance in the market place. We compared the overhead to previous years and considered the nature of spend and challenged management as to what they considered discretionary. We reviewed the disclosures relating to the going concern basis of preparation and considered whether these were consistent with the Directors' going concern assessment. **Key observations:** Our conclusions are reported in the Conclusions relating to going concern section of our report.

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*	
	2021 £m	2020 £m	2021 £m	2020 £m
Materiality	£10,700,000	£10,550,000	£9,630,000	£9,495,000
Basis for determining materiality	1% of Group total assets.		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	£8,025,000	£7,900,000	£7,220,000	£7,100,000
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 and account balances not related to investment properties, a misstatement of less than materiality for the financial statements as a whole, specific materiality, could influence the economic decisions of users. As a result, we determined that specific materiality for the measurement of these items based on 5% of three-year average of European Public Real Estate Association ("EPRA") earnings being £810,000 (2020: 5% of three-year average EPRA earnings being £950,000). EPRA earnings excludes the impact of the net surplus on revaluation of investment properties and profit on disposal of investment properties. We further applied a performance materiality level of 75% (2020: 75%) of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated.

Reporting threshold
We agreed with the Audit and Risk Committee that we would report to them all individual audit differences in excess of £214,000 (2020: £211,000), and for amounts impacting EPRA earnings in excess of £41,000 (2020: £48,000). We also agreed to report differences below this threshold 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 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 Code 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.

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

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 49; and – The Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 49.
Other Code provisions	– Directors' statement on fair, balanced and understandable set out on page 80; – Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 48; – The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 62; and – The section describing the work of the Audit and Risk Committee set out on page 64.

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.
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, 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.

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 and Risk 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;
- 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 have been included as a key audit matter and our audit response is set out in that section of our audit report. We also identified specific fraud risks with respect to revenue recognition through management override to reflect higher occupancy and increase property valuations; and
- We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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
2 March 2022

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 2021 £'000**	Year ended 31 December 2020 £'000
Continuing operations			
Revenue	2	**55,967**	59,444
Property expenses	3	**(23,061)**	(22,651)
Net rental income		**32,906**	36,793
Administrative expenses	4	**(10,547)**	(9,841)
Change in fair value of investment property	13	**17,567**	(37,603)
Operating profit/(loss)		**39,926**	(10,651)
Finance cost		**(12,382)**	(13,341)
Finance income		**1**	22
Net finance costs	5	**(12,381)**	(13,319)
Gain on disposal of investment property		**1,652**	–
Profit/(loss) before income tax		**29,197**	(23,970)
Corporation tax	7	**–**	–
Profit/(loss) for the year and total comprehensive income/(loss)		**29,197**	(23,970)
Earnings/(loss) per share expressed in pence per share	8		
Basic		**4.84**	(3.97)
Diluted		**4.84**	(3.97)
Gross margin		**58.8%**	61.9%

Group Statement of Financial Position

	Note	At 31 December 2021 £'000	At 31 December 2020 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**426**	135
Intangible assets	12	**1,318**	1,054
Right of use asset		**1,010**	–
Investment property – Operational Assets	13	**967,194**	981,369
Investment property – Development Assets	13	**28,692**	23,751
Total non-current assets		**998,640**	1,006,309
Current assets			
Trade and other receivables	14	**7,839**	14,510
Assets classified as held for sale	15	**25,870**	-
Cash and cash equivalents	16	**37,127**	33,927
Total current assets		**70,836**	48,437
Total assets		**1,069,476**	1,054,746
LIABILITIES			
Current liabilities			
Trade and other payables	17	**19,990**	15,527
Borrowings	18	**44,712**	–
Lease liability		**107**	–
Deferred income	17	**29,862**	20,676
Total current liabilities		**94,671**	36,203
Non-current liabilities			
Borrowings	18	**326,244**	385,266
Lease liability		**963**	–
Total non-current liabilities		**327,207**	385,266
Total liabilities		**421,878**	421,469
Total net assets		**647,598**	633,277
Equity			
Called up share capital	19	**6,032**	6,032
Share premium	20	**295**	257
Capital reduction reserve	21	**459,958**	475,038
Retained earnings		**181,313**	151,950
Total equity		**647,598**	633,277
Total equity and liabilities		**1,069,476**	1,054,746
Net Asset Value per share basic (pence)	9	**107.36**	105.00
Net Asset Value per share diluted (pence)	9	**106.75**	104.60
EPRA NTA per share (pence)	9	**107.36**	104.80

These financial statements were approved by the Board of Directors on 2 March 2022 and signed on its behalf by:

Lynne Fennah
Director

Company Statement of Financial Position

	Note	At 31 December 2021 £'000	At 31 December 2020 £'000
ASSETS			
Fixed assets			
Property, plant and equipment	11	**338**	56
Intangible assets	12	**1,318**	968
Right of use asset		**1,010**	–
Investments in subsidiaries	30	**187,598**	187,598
Total fixed assets		**190,264**	188,622
Current assets			
Trade and other receivables	14	**311**	353
Amounts due from Group undertakings	14	**369,048**	350,578
Cash and cash equivalents	16	**1,977**	24,775
Total current assets		**371,336**	375,706
Total assets		**561,600**	564,328
CREDITORS			
Current creditors			
Trade and other payables	17	**5,047**	2,918
Amounts due to Group undertakings	17	**27,177**	9,548
Lease liability		**107**	–
Total non-current creditors		**32,331**	12,466
Non-current creditors			
Borrowings	18	**19,980**	19,961
Lease liability		**963**	–
Total non-current creditors		**20,943**	19,961
Total creditors		**53,274**	32,427
Total net assets		**508,326**	531,901
Capital and reserves			
Called up share capital	19	**6,032**	6,032
Share premium	20	**295**	257
Capital reduction reserve	21	**459,958**	475,038
Retained earnings		**42,041**	50,574
Total capital and reserves		**508,326**	531,901

The Company made a loss for the year of £8,699,000 (2020: £46,198,000 profit).

These financial statements were approved by the Board of Directors on 2 March 2022 and signed on its behalf by:

Lynne Fennah
Director

Group Statement of Changes in Equity

Year ended 31 December 2021	*Called up share capital £'000*	*Share premium £'000*	*Capital reduction reserve £'000*	*Retained earnings £'000*	*Total equity £'000*
Balance at 1 January 2021	6,032	257	475,038	151,950	633,277
Changes in equity					
Profit for the year	–	–	–	29,197	29,197
Total comprehensive income for the year	–	–	–	29,197	29,197
Share-based payments	–	–	–	204	204
Share options exercised	–	38	–	(38)	–
Dividends	–	–	(15,080)	–	(15,080)
Total contributions and distribution recognised directly in equity	–	38	(15,080)	166	(14,876)
Balance at 31 December 2021	6,032	295	459,958	181,313	647,598
Year ended 31 December 2020					
Balance at 1 January 2020	6,032	257	482,578	175,891	664,758
Changes in equity					
Loss 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

Company Statement of Changes in Equity

Year ended 31 December 2021	*Called up share capital £'000*	*Share premium £'000*	*Capital reduction reserve £'000*	*Retained earnings £'000*	*Total equity £'000*
Balance at 1 January 2021	**6,032**	**257**	**475,038**	**50,574**	**531,901**
Changes in equity					
Loss for the year	–	–	–	**(8,699)**	**(8,699)**
Total comprehensive loss for the year	–	–	–	**(8,699)**	**(8,699)**
Share-based payments	–	–	–	**204**	**204**
Share options exercised	–	**38**	–	**(38)**	–
Dividends	–	–	**(15,080)**	–	**(15,080)**
Total contributions and distribution recognised directly in equity	–	**38**	**(15,080)**	**166**	**(14,876)**
Balance at 31 December 2021	**6,032**	**295**	**459,958**	**42,041**	**508,326**
Year ended 31 December 2020					
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**

Group Statement of Cash Flows

	Year ended 31 December 2021 £'000	*Year ended 31 December 2020 £'000*
Cash flows from operating activities		
Profit/(loss) before income tax	**29,197**	*(23,970)*
Share-based payments	**204**	*29*
Depreciation and amortisation	**457**	*326*
Finance income	**(1)**	*(22)*
Finance costs	**12,382**	*13,341*
Intangible asset impairment	–	*898*
Gain on disposal of investment property	**(1,652)**	–
Change in fair value of investment property	**(17,567)**	*37,603*
	23,020	*28,205*
Decrease/(increase) in trade and other receivables	**6,670**	*(3,971)*
Increase in trade and other payables	**3,532**	*1,653*
Increase/(decrease) in deferred rental income	**9,186**	*(8,528)*
	19,388	*(10,846)*
Net cash flows generated from operations	**42,408**	*17,359*
Cash flows from investing activities		
Purchases of tangible fixed assets	**(427)**	*(72)*
Purchases of intangible assets	**(537)**	*(370)*
Purchase of investment property	**(15,701)**	*(14,258)*
Interest received	**1**	*22*
Proceeds on disposal of investment property, net of selling costs	**17,982**	–
Net cash flows from investing activities	**1,318**	*(14,678)*
Cash flows from financing activities		
Dividends paid	**(13,589)**	*(7,540)*
Bank borrowings drawn	–	*77,800*
Bank borrowings repaid	**(15,000)**	*(42,800)*
Loan arrangement fee paid	**(168)**	*(1,009)*
Finance cost (excluding fair value loss on derivatives)	**(11,769)**	*(11,722)*
Net cash flows from financing activities	**(40,526)**	*14,729*
Increase in cash and cash equivalents	**3,200**	*17,410*
Cash and cash equivalents at beginning of year	**33,927**	*16,517*
Cash and cash equivalents at end of year	**37,127**	*33,927*

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 2021 to 31 December 2021.

The consolidated financial statements of the Group for the year ended 31 December 2021 comprise the results of Empiric Student Property plc (the "Company") and its subsidiaries and were approved by the Board for issue on 2 March 2022. 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 2021 comprise the results of Empiric Student Property plc (the "Company") and its subsidiaries (together, the "Group"). The Group and Parent Company financial statements have been prepared on a going concern basis. The Group financial statements have been prepared in accordance with UK adopted international accounting standards. The Parent Company financial statements have been prepared in accordance with FRS 101, Financial Reporting Standards Reduced Disclosure Framework.

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 profit for the year includes a loss after taxation of £8,699,000 (2020: Profit of £46,198,000) 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 upcoming 2022/23 academic year. Accordingly, the Group has prepared projections to 30 September 2023 and conducted a detailed going concern review and considered its liquidity position and banking covenant compliance strength.

As at 31 December 2021 the Group had £37 million in cash and £45 million of undrawn investment debt facilities. During the going concern period we have two facilities due for refinancing, one for £90 million with Lloyd's due to expire in November 2022 and one with FCB for £20 million due in March 2023. Subsequent to the year end the Group signed an agreement to extend its Lloyd's RCF out to November 2025. This means the Group is well funded and has no refinancing requirements until March 2023 where we intend to extend the £20 million facility.

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 2022/23 academic year. Upside, central and downside stress cases have been constructed showing 2022/23 academic year occupancy of between 65% and 90%.

Scenario	*Revenue occupancy for 2021/22 academic year*	*Revenue occupancy for 2022/23 academic year*
Scenario 1 – Upside Scenario	*84%*	*90%*
Scenario 2 – Central Scenario	*84%*	*85%*
Scenario 3 – Downside Stress Scenario	*84%*	*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 18% from December 2021 valuations before LTV covenants are breached.

In Scenario 1 and 2 above the Group continues to maintain covenant compliance for all its interest cover covenants. It maintains adequate levels of liquidity throughout. 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 3, under our Downside Stress Scenario, we would not meet projected interest cover covenants at the 31 March 2022 measurement date for one lender. We would also have further breaches on two other facilities in the going concern period. The Group has cure rights under the lending agreements; however, the Group would need to raise an additional £22 million in cash to have sufficient cash headroom to cure this ICR breach. The Board considers this scenario as extremely unlikely and that it is a severe downside scenario.

As at 2 March 2022 booking levels for the upcoming 2022/23 academic year are currently at 36%; this compared to 20% for the 2021/22 academic year as at 16 March 2021. As such the Board is expecting that Scenario 1 is the most likely scenario at this time.

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 2022/23 academic year at which the Group would need to seek alternative sources of funding. For this modelling we kept revenue occupancy for the 2021/22 academic year at 84%.

The Directors noted that if occupancy falls below 45% then the Group would be in breach of all ICR covenants, and at 47% revenue occupancy for the 2022/23 academic year (18% lower revenue occupancy than our Downside Stress Scenario) the Group would need to seek alternative sources of funding.

Having reviewed and considered the three modelled scenarios, the 2022/23 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.

Notes to the Financial Statements continued

1. ACCOUNTING POLICIES continued

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:

(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 2021. 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 the "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.

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 whilst 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.

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 either five or ten years depending on the nature of the asset's useful life.

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.

Notes to the Financial Statements continued

1. ACCOUNTING POLICIES continued

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.

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 a 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.

2. REVENUE

	Group	
	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Student rental income	**55,977**	64,218
Student rental refunds	**(1,805)**	(6,539)
Commercial rental income	**1,475**	1,765
Other income	**320**	–
Total revenue	**55,967**	59,444

3. PROPERTY EXPENSES

	Group	
	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Direct site costs	**7,006**	7,575
Technology services	**672**	671
Site office and utilities	**10,428**	9,371
Cleaning and service contracts	**2,989**	2,922
Repairs and maintenance	**1,966**	2,112
Total property expenses	**23,061**	22,651

4. ADMINISTRATIVE EXPENSES

	Group	
	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Salaries and Directors' remuneration	**5,278**	4,655
Legal and professional fees	**2,218**	1,976
Other administrative costs	**1,979**	2,453
IT expenses	**522**	326
	9,997	9,410
Auditor's fees		
Fees payable for the audit of the Group's annual accounts	**224**	210
Fees payable for the review of the Group's interim accounts	**44**	40
Fees payable for the audit of the Group's subsidiaries	**150**	136
Total auditor's fees	**418**	386
Abortive acquisition costs	**132**	45
Total administrative expenses	**10,547**	9,841

5. NET FINANCE COST

	Group	
	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Finance costs		
Interest expense on bank borrowings	**11,567**	11,838
Amortisation of loan transaction costs	**815**	1,503
	12,382	13,341
Finance income		
Interest received on bank deposits	**1**	22
	1	22
Net finance cost	**12,381**	13,319

Notes to the Financial Statements continued

6. EMPLOYEES AND DIRECTORS

	Group	
	Year ended 31 December 2021 £'000	*Year ended 31 December 2020 £'000*
Wages and salaries	**8,766**	*8,021*
Pension costs	**350**	*295*
Cash bonus	**150**	*–*
Share-based payments	**204**	*29*
National insurance	**914**	*725*
	10,384	*9,070*
Less: Hello Student® amounts included in property expenses	**(5,106)**	*(4,415)*
Amounts included in administrative expenses	**5,278**	*4,655*
The average monthly number of employees of the Group during the year was as follows:		
Management	**8**	*5*
Administration – ESP	**49**	*44*
Operations – Hello Student®	**238**	*316*
	295	*365*

	Group	
Directors' remuneration	**Year ended 31 December 2021 £'000**	*Year ended 31 December 2020 £'000*
Salaries and fees	**993**	*928*
Pension costs	**77**	*86*
Cash bonus	**54**	*–*
Payment in lieu of notice	–	*351*
Share-based payments	**204**	*29*
	1,328	*1,394*

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

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 2021.

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 2021 £'000	*Year ended 31 December 2020 £'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	***29,197***	*(23,970)*
Profit before tax multiplied by the rate of corporation tax in the UK of 19% (2020: 19%)	***5,547***	*(4,554)*
Exempt property rental profits in the year	***(4,160)***	*(2,042)*
Exempt property revaluations in the year	***(3,338)***	*7,144*
Effects of:		
Non-allowable expenses	***121***	*70*
Capital allowances	***(1,066)***	*(1,006)*
Gain on disposal not taxable	***314***	–
Unutilised current year tax losses	***2,582***	*388*
Total current income tax charge/(credit) in the income statement	–	–

A deferred tax asset in respect of the tax losses generated by the residual (non-tax exempt) business of the Group of £2,581,000 (31 December 2020: £388,000) will be recognised to the extent that their utilisation is probable. On the basis that the residual business is not expected to generate taxable profits in future periods against which the losses will be applied, a deferred tax asset of £5,160,000 (2020: £3,027,000) 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.

Notes to the Financial Statements continued

8. EARNINGS PER SHARE continued

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 2021					
Earnings per IFRS statement of comprehensive income	29,197	29,197	29,197	29,197	29,197
Adjustments to remove:					
Gain/loss on disposal of investment property	–	–	(1,652)	(1,652)	(1,652)
Changes in fair value of investment properties (Note 13)	–	–	(17,573)	(17,573)	(17,573)
Earnings/Adjusted Earnings	29,197	29,197	9,972	9,972	9,972
Weighted average number of shares ('000)	603,185	603,185	603,185	603,185	603,185
Adjustment for employee share options ('000)	–	254	–	254	–
Total number shares ('000)	603,185	603,439	603,185	604,439	603,185
Per-share amount (pence)	4.84	4.84	1.65	1.65	1.65
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

[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.

9. NET ASSET VALUE PER SHARE

The principles of the three 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 considers 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 EPRA NAV metrics from IFRS NAV is shown in the table below.

	NAV	*EPRA NAV measures*		
Year ended 31 December 2021	*IFRS £'000*	*EPRA NRV £'000*	*EPRA NTA £'000*	*EPRA NDV £'000*
Net assets per Statement of Financial Position	*647,598*	*647,598*	*647,598*	*647,598*
Adjustments				
Fair value of fixed rate debt	–	–	–	*(14,333)*
Purchaser's costs[1]	–	*34,168*	–	–
Net assets used in per share calculation	*647,598*	*681,766*	*647,598*	*633,265*
Number of shares in issue				
Issued share capital ('000)	*603,203*	*603,203*	*603,203*	*603,203*
Issued share capital plus employee options ('000)	*606,649*	*606,649*	*606,649*	*606,649*
Net Asset Value per share	*£*	*£*	*£*	*£*
Basic Net Asset Value per share	*1.074*	*1.130*	*1.074*	*1.050*
Diluted Net Asset Value per share	*1.068*	*1.124*	*1.068*	*1.044*

	NAV	*EPRA NAV measures*		
Year ended 31 December 2020	*IFRS £'000*	*EPRA NRV £'000*	*EPRA NTA £'000*	*EPRA NDV £'000*
Net assets per Statement of Financial Position	*633,278*	*633,278*	*633,278*	*633,278*
Adjustments				
Fair value of fixed rate debt	–	–	–	*(30,545)*
Purchaser's costs[1]	–	*32,830*	–	–
Net assets used in per share calculation	*633,278*	*666,108*	*633,278*	*602,733*
Number of shares in issue				
Issued share capital ('000)	*603,161*	*603,161*	*603,161*	*603,161*
Issued share capital plus employee options ('000)	*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*	*0.999*
Diluted Net Asset Value per share	*1.046*	*1.100*	*1.046*	*0.995*

[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.

Notes to the Financial Statements continued

10. DIVIDENDS PAID

	Group and Company	
	Year ended 31 December 2021 £'000	*Year ended 31 December 2020 £'000*
Interim dividend of 1.25 pence per ordinary share in respect of the quarter ended 31 December 2020	**–**	7,540
Interim dividend of 2.50 pence per ordinary share in respect of the quarter ended 30 September 2021	***15,080***	–
	15,080	7,540

As at 31 December 2021 an accrual of £1,491,000 was being held relating to withholding tax on the 2021 dividend (31 December 2020: nil)
On 23 February 2022 the Company declared a 0.625 pence dividend to be paid on 25 March 2022.

11. PROPERTY PLANT AND EQUIPMENT

	Group			***Company***		
Year ended 31 December 2021	***Fixtures and fittings £'000***	***Computer equipment £'000***	***Total £'000***	***Fixtures and fittings £'000***	***Computer equipment £'000***	***Total £'000***
Costs						
As at 1 January 2021	***490***	***338***	***828***	***490***	***219***	***709***
Additions	***347***	***82***	***429***	***347***	***18***	***365***
As at 31 December 2021	***837***	***420***	***1,257***	***837***	***237***	***1,074***
Depreciation						
As at 1 January 2021	***471***	***222***	***693***	***462***	***191***	***653***
Charge for the year	***65***	***73***	***138***	***65***	***18***	***83***
As at 31 December 2021	***536***	***295***	***831***	***527***	***209***	***736***
Net book value						
As at 31 December 2021	***301***	***125***	***426***	***310***	***28***	***338***

	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

12. INTANGIBLE ASSETS

	Group			*Company*	
Year ended 31 December 2021	*Hello Student® website development £'000*	*NAVision[1] development £'000*	*Total £'000*	*NAVision[1] development £'000*	*Total £'000*
Costs					
As at 1 January 2021	***878***	***1,641***	***2,519***	***1,641***	***1,641***
Additions	–	***537***	***537***	***537***	***537***
As at 31 December 2021	***878***	***2,178***	***3,056***	***2,178***	***2,178***
Amortisation					
As at 1 January 2021	***792***	***673***	***1,465***	***673***	***673***
Charge for the year	***86***	***187***	***273***	***187***	***187***
Impairment	–	–	–	–	–
As at 31 December 2021	***878***	***860***	***1,738***	***860***	***860***
Net book value					
As at 31 December 2021	–	***1,318***	***1,318***	***1,318***	***1,318***

	Group				*Company*	
Year ended 31 December 2020	*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 2020	*311*	*878*	*1,271*	*2,460*	*1,271*	*1,271*
Additions	–	–	*370*	*370*	*370*	*370*
As at 31 December 2020	*311*	*878*	*1,641*	*2,830*	*1,641*	*1,641*
Amortisation						
As at 1 January 2020	*311*	*339*	*191*	*841*	*191*	*191*
Charge for the year	–	*87*	*149*	*236*	*149*	*149*
Impairment	–	*366*	*333*	*699*	*333*	*333*
As at 31 December 2020	*311*	*792*	*673*	*1,776*	*673*	*673*
Net book value						
As at 31 December 2020	–	*86*	*968*	*1,054*	*968*	*968*

[1] Relates to the development of our accounting system which enables us to bring our revenue management system in-house; see page 31 for detail.

Impairment

Hello Student® website development

During the prior year we conducted a review of our intangible asset relating to the Hello Student® website. As can be seen on page 21, we have identified that overhauling our website is a priority. As such, there was an impairment during the prior year writing off £366,000 of costs relating to the old website which have been deemed to be obsolete.

NAVision development

During the prior year we launched our new revenue management system, see page 31 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 prior year writing off £333,000 of costs relating to the items within the NAVision system which were replaced by the new system.

Notes to the Financial Statements continued

13. INVESTMENT PROPERTY

	Group				
Year ended 31 December 2021	***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 2021	***849,220***	***132,149***	***981,369***	***23,751***	***1,005,120***
Property additions	***6,173***	***1,808***	***7,981***	***7,418***	***15,399***
Sale of investment property	***(16,330)***	–	***(16,330)***	–	***(16,330)***
Transfer to held for sale asset	***(25,870)***	–	***(25,870)***	–	***(25,870)***
Change in fair value during the year	***22,259***	***(2,215)***	***20,044***	***(2,477)***	***17,567***
As at 31 December 2021	***835,452***	***131,742***	***967,194***	***28,692***	***995,886***

	Group				
Year ended 31 December 2020	*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*

During the year £7,981,000 (31 December 2020: £4,267,000) 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 2021, 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 2021 £'000	*As at 31 December 2020 £'000*
Value per independent valuation report	***1,021,288***	*1,004,651*
Add: Head lease	***468***	*469*
Deduct: Assets held for sale	***(25,870)***	–
Fair value per Group Statement of Financial Position	***995,886***	*1,005,120*

Fair Value Hierarchy

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

Date of valuation 31 December 2021	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	**1,002,748**	–	–	**1,002,748**
Commercial properties	**19,008**	–	–	**19,008**
As at 31 December 2021	**1,021,756**	–	–	**1,021,756**

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

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: £85 per week–£387 per week (31 December 2020: £95–£357 per week).

(b) Unobservable input: Rental growth
The estimated average increase in rent based on both market estimations and contractual arrangements. Assumed decline of 1.56% used in valuations (31 December 2020: 1.48%).

(c) Unobservable input: Net initial yield
The net initial yield is defined as the initial net income as a percentage of the market value (or purchase price as appropriate) plus standard costs of purchase. Range: 4.25%–8.15% (31 December 2020: 4.45%–8.50%).

(d) Unobservable input: COVID-19 rent deduction
The COVID-19 rent deduction which impacted the 2020 valuation has now fallen away. See prior year annual report for basis of this deduction. We have allowed for a total capital deduction totalling £6,368,080 to reflect occupancy shortfall. This is based on CBRE's market perception that 2021/22 is going to be an unaffected year and that no risk deduction in respect of COVID-19 uncertainties is required.

(e) Unobservable input: Physical condition of the property
At the interim we indicated we would spend £30 million on health and safety works over the next five years. CBREs assumption is that £17.2 million of this cost should now be reflected in the valuation at the year-end in respect of work on external wall systems and fire stopping on buildings over 18 metres. Management has performed a sensitivity analysis to assess the impact of a change in their estimate of total costs relating to the £17.2 million deduction. A 20% increase in the estimated remaining costs would affect net valuation gains/losses on property in the IFRS P&L by £3.4 million and would reduce the Group's NTA by less than 0.1 pence on a per share basis. Whilst the spend is expected to be utilised within two years, there is uncertainty over this timing.

(f) Unobservable input: Planning consent
No planning enquiries were 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.

Notes to the Financial Statements continued

13. INVESTMENT PROPERTY continued

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

As at 31 December 2021	-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	**(41,520)**	**40,710**	**48,480**	**(44,900)**

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)

(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 2021 £'000	31 December 2020 £'000	**31 December 2021 £'000**	31 December 2020 £'000
Trade receivables	**2,471**	2,539	**11**	–
Other receivables	**1,769**	1,063	**108**	5
Amounts owed by property managers	**8**	6,505	-	–
Prepayments	**2,949**	4,157	**192**	341
VAT recoverable	**642**	246	-	7
	7,839	14,510	**311**	353
Amounts due from Group undertakings	**–**	–	**369,048**	350,578
	7,839	14,510	**369,359**	350,931

In the Company, amounts owed from Group undertakings are classified as due within one year due to their legal agreements with the debtor, however, could be recovered after more than one year should the debtors' circumstance not permit repayment on demand.

Movements on the Group provision for impairment of trade receivables were as follows:

	Group	
	31 December 2021 £'000	31 December 2020 £'000
At 1 January	**(1,449)**	(594)
(Increase) in provision for receivables impairment	**(100)**	(855)
At 31 December	**(1,549)**	(1,449)

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 living with us. As such we have a high level of communication with them.

At 31 December 2021, 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 (2020: £nil). There are no security obligations related to these amounts due from Group undertakings.

15. ASSETS CLASSIFIED AS HELD FOR SALE

Management considers that five properties meet the conditions relating to assets held for sale, as per IFRS 5: Non-current Assets Held for Sale. The properties are expected to be disposed of during the next 12 months. The fair value of properties has been determined by a third-party valuer, CBRE.

All non-current assets, of these disposal assets, classified as held for sale are disclosed at their fair value.

These assets were subsequently disposed of on 1 February 2022; see Note 26 Subsequent Events for more detail.

The fair value of these properties are £25.87 million.

16. CASH AND CASH EQUIVALENTS

	Group		*Company*	
	31 December 2021 £'000	*31 December 2020 £'000*	***31 December 2021 £'000***	*31 December 2020 £'000*
Cash and cash equivalents	***37,127***	*33,927*	***1,977***	*24,775*

17. TRADE AND OTHER PAYABLES

	Group		*Company*	
	31 December 2021 £'000	*31 December 2020 £'000*	***31 December 2021 £'000***	*31 December 2020 £'000*
Trade payables	***5,147***	*3,406*	***3,309***	*848*
Other payables	***2,070***	*1,800*	***178***	*251*
Accrued expenses	***12,015***	*9,574*	***802***	*1,072*
Directors' bonus accrual	***758***	*747*	***758***	*747*
	19,990	*15,527*	***5,047***	*2,918*
Amounts owed to Group undertakings	**–**	–	***27,177***	*9,548*
	19,990	*15,527*	***32,224***	*12,466*

At 31 December 2021, there was deferred rental income of £29,862,000 (31 December 2020: £20,676,000) 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

18. BANK BORROWINGS

A summary of the drawn and undrawn bank borrowings in the year is shown below:

	Group					
	Bank borrowings drawn 31 December 2021 £'000	**Bank borrowings undrawn 31 December 2021 £'000**	**Total 31 December 2021 £'000**	*Bank borrowings drawn 31 December 2020 £'000*	*Bank borrowings undrawn 31 December 2020 £'000*	*Total 31 December 2020 £'000*
At 1 January	**390,000**	**52,500**	**442,500**	355,000	35,000	390,000
Bank borrowings from new facilities in the year	–	–	–	52,800	42,500	95,300
Bank borrowings drawn in the year	–	–	–	25,000	(25,000)	–
Bank borrowings repaid during the year	**(15,000)**	**15,000**	–	(42,800)	–	(42,800)
At 31 December	**375,000**	**67,500**	**442,500**	390,000	52,500	442,500

In the previous year the Group refinanced two facilities, one with AIB for £32.8 million and the second with FCB for £10 million which was also extended to £20 million. In July 2020 we extended our RCF with Lloyd's Bank from £70 million to £90 million. The Group also entered into a development facility with NatWest for £22.5 million during the 2020 financial year. At 31 December 2021 no balance has been drawn down.

There is an undrawn RCF debt facility available of £45,000,000 at 31 December 2021 (31 December 2020: £30,000,000). The weighted average term to maturity of the Group's debt as at the year end is 4.9 years (31 December 2020: 5.9 years).

Bank borrowings are secured by charges over individual investment properties held by certain asset-holding subsidiaries. These assets have a fair value of £977,148,000 at 31 December 2021 (31 December 2020: £952,441,000). 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 (2020: £20 million) repayable in more than one year, fully drawn. The balance net of loan arrangement fees carried as at 31 December 2021 was £19,980,000 (31 December 2020: £19,961,000).

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 2021 £'000**	*31 December 2020 £'000*
Balance brought forward	**390,000**	312,200
Total bank borrowings in the year	–	77,800
Less: Bank borrowings becoming current in the year	**(45,000)**	–
Less: Bank borrowings repaid during the year	**(15,000)**	–
Bank borrowings drawn: due in more than one year	**330,000**	390,000
Less: Unamortised costs	**(3,756)**	(4,734)
Bank borrowings due in more than one year	**326,244**	385,266

	Group	
Current	**31 December 2021 £'000**	*31 December 2020 £'000*
Balance brought forward	–	42,800
Less: Bank borrowings repaid during the year	–	(42,800)
Bank borrowings becoming current in the year	**45,000**	–
Bank borrowings drawn: due in less than one year	**45,000**	–
Less: Unamortised costs	**(288)**	–
Bank borrowings due in less than one year	**44,712**	–

Maturity of Bank Borrowings

	Group	
	31 December 2021 £'000	31 December 2020 £'000
Repayable in less than one year	**45,000**	–
Repayable between one and two years	**20,000**	–
Repayable between two and five years	**52,800**	132,800
Repayable in over five years	**257,200**	257,200
Bank borrowings	**375,000**	390,000

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 SONIA 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 3.00% (31 December 2020: 2.90%). All variable rate loans have transitioned from LIBOR + margin to SONIA + margin, with the margin set at a rate that is intended to give an overall return to the lender equivalent to the LIBOR linked rate.

19. SHARE CAPITAL

	Group and Company		Group and Company	
	31 December 2021 Number	**31 December 2021 £'000**	31 December 2020 Number	31 December 2020 £'000
Balance brought forward	**603,160,940**	**6,032**	603,160,940	6,032
Share options exercised	**42,112**	**–**	–	–
Balance carried forward	**603,203,052**	**6,032**	603,160,940	6,032

During the year there was one issue of 42,112 shares, on 2 June 2021, these related to an issue to an ex-Director under the deferred bonus scheme.

20. SHARE PREMIUM

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

	Group and Company	
	31 December 2021 £'000	31 December 2020 £'000
Balance brought forward	**257**	257
Share premium on share options exercised	**38**	–
Balance carried forward	**295**	257

21. CAPITAL REDUCTION RESERVE

	Group and Company	
	31 December 2021 £'000	31 December 2020 £'000
Balance brought forward	**475,038**	482,578
Less interim dividends declared and paid per Note 10	**(15,080)**	(7,540)
Balance carried forward	**459,958**	475,038

The capital reduction reserve account is a distributable reserve.

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

Notes to the Financial Statements continued

22. LEASING AGREEMENTS

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

	Group	
	31 December 2021 £'000	*31 December 2020 £'000*
Less than one year	***42,888***	*39,625*
Between one and two years	***1,353***	*1,169*
Between two and three years	***1,352***	*1,123*
Between three and four years	***1,331***	*1,102*
Between four and five years	***1,271***	*1,042*
More than five years	***7,759***	*6,269*
Total	***55,954***	*50,330*

The above relates to commercial leases and nomination agreements with UK universities in place as at 31 December 2021. The impact of student leases for the forthcoming academic year signed by 31 December 2021 have not been included as the certainty of income does not arise until the tenant takes occupation of the accommodation. As at 31 December 2021, £32,038,000 (31 December 2020: £17,689,000) of the future minimum lease receivables have been received as cash.

23. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2021 (31 December 2020: £nil).

24. CAPITAL COMMITMENTS

The Group had capital commitments relating to developments totalling £8,567,000 at 31 December 2021 (31 December 2020: £11,331,000).

25. 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 2021.

Share-based Payments

On 22 April 2021, the Company granted nil-cost options over a total of 1,432,400 (Duncan Garrood 800,000 and Lynne Fennah 632,400) ordinary shares pursuant to the Empiric 2014 Long Term Incentive Plan (the "2017–2020 LTIP Awards") for the 2021 financial year.

Details of the Director share ownership and dividends received are detailed on page 74.

Details of the shares granted and exercised are outlined in Note 27.

26. SUBSEQUENT EVENTS

On 1 February 2022 the Group sold five properties for a total of £27 million. The sale price was in line with the market value as at 31 December 2021. On 7 February 2022 the Group purchased one asset in Bristol for £19 million.

27. SHARE-BASED PAYMENTS

The Company operates two 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 22 April 2021, the Company granted nil-cost options over a total of 1,432,400 (Duncan Garrood 800,000 and Lynne Fennah 632,400) ordinary shares pursuant to the Empiric 2014 Long Term Incentive Plan (the "2017–2020 LTIP Awards") for the 2021 financial year.

During the year, the Company granted nil-cost options over a total of 293,177 ordinary shares to members of the Senior Leadership Team pursuant to the Empiric 2014 Long Term Incentive Plan (the "2017–2020 LTIP Awards") for the 2021 financial year.

Of the nil-cost options, 52,115 are currently exercisable. The weighted average remaining contractual life of these options was 1.7 years (2020: 1.7 years).

During the year to 31 December 2021 the amount recognised relating to the options was £204,000 (2020: £29,000).

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.

	31/12/2021	*31/12/2020*	*31/12/2019*	*31/12/2018*	*31/12/2017*	*31/12/2016*
Outstanding number brought forward	***2,314,539***	*1,250,045*	*1,051,708*	*1,477,817*	*3,913,420*	*2,880,391*
Granted during the period	***1,725,577***	*1,064,494*	*604,134*	*439,022*	*207,198*	*1,033,029*
Vested and exercised during the period	***(35,779)***	–	*(129,253)*	*(139,325)*	*(691,237)*	–
Lapsed during the period	***(558,017)***	–	*(276,544)*	*(725,806)*	*(1,951,564)*	–
Outstanding number carried forward	***3,446,320***	*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 2018-22 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	*0.88*
(b)	Exercise price of	*£nil*
(c)	Contractual life of	*3 years*
(d)	Expected volatility of	*26.30%*
(e)	Expected dividend yield of	*2.84%*
(f)	Risk-free rate of	*0.09%*
(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	

28. 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:

Reconciliation of liabilities to cash flows from financing activities

	31 December 2021 £'000	*31 December 2020 £'000*
Bank borrowings and leasehold liability at start of the year	***385,266***	*349,771*
Cash flows from financing activities		
Bank borrowings drawn	***-***	*77,800*
Bank borrowings repaid	***(15,000)***	*(42,800)*
Loan arrangement fees paid	***(168)***	*(1,008)*
Non-cash movements		
Amortisation of loan arrangement fees	***815***	*1,503*
Recognition of lease liabilities	***1,114***	*-*
Bank borrowings and leasehold liability at end of the year	***372,027***	*385,266*

Notes to the Financial Statements continued

28. FINANCIAL RISK MANAGEMENT continued

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	*Baa1*	*Stable*
Canada Life	*Aa3*	*Stable*
Mass Mutual	*Aa3*	*Stable*
Scottish Widows	*A2*	*Stable*
Lloyd's Bank Plc	*A2*	*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.

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 2021						
Bank borrowings and interest	**–**	***3,182***	***54,379***	***194,206***	***189,087***	***440,854***
Trade and other payables	**–**	***19,990***	**–**	**–**	**–**	***19,990***
	–	***23,172***	***54,379***	***194,206***	***189,087***	***460,844***

	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*

	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 2021						
Bank borrowings and interest	**–**	***119***	***357***	***20,076***	**–**	***20,552***
Trade and other payables	**–**	***5,047***	–	–	–	***5,047***
	–	***5,166***	***357***	***20,076***	–	***25,599***

	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*

29. 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.

30. SUBSIDIARIES

Those subsidiaries listed below are considered to be all subsidiaries of the Company at 31 December 2021, with the shares issued being ordinary shares. All subsidiaries are registered in London at the following address: 1st Floor Hop Yard Studios, 72 Borough High Street, London, SE1 1XF.

In each case the country of incorporation is England and Wales.

	Company	
	31 December 2021 £'000	*31 December 2020 £'000*
As at 1 January	***187,598***	*81,686*
Additions in the year	**–**	*106,215*
Disposals	**–**	*(303)*
Balance at 31 December	***187,598***	*187,598*

Notes to the Financial Statements continued

During the 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 the 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
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

30. SUBSIDIARIES continued

Company	Status	Ownership	Principal activity
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
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

Notes to the Financial Statements continued

Company	Status	Ownership	Principal activity
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

31. ALTERNATIVE PERFORMANCE MEASURES

The below sets out our alternative performance measures.

Gross margin – Gross profit expressed as a percentage of rental income. A key business KPI to monitor how efficiently we are running our buildings.

	Group	
Gross Margin	***31 December 2021 £'000***	*31 December 2020 £'000*
Revenue	***55,967***	*59,444*
Property Expenses	***(23,061)***	*(22,651)*
Net rental income	***32,906***	*36,793*
Gross Margin calculated as Net rental income/Revenue	***58.8%***	*61.9%*

Total Return ("TR") – The growth of NAV per share plus dividends per share measured as a percentage. A key business KPI to monitor the level of overall return the Group is generating.

	Group	
Total Return	***31 December 2021 £'000***	*31 December 2020 £'000*
NAV per share brought forward	***105.00***	*110.21*
NAV per share carried forward	***107.36***	*105.00*
NAV growth per share in period	***2.36***	*(5.21)*
Dividend per share	***2.50***	*1.25*
Dividends plus NAV Growth in period per share	***4.86***	*(3.96)*
Total return calculated as Dividends plus NAV Growth in period per share/ NAV brought forward	***4.6%***	*(3.6%)*

Loan-to-value ("LTV") – A measure of borrowings used by property investment companies calculated as total drawn borrowings, net of cash, as a percentage of Property Value. A key business KPI to ensure we stay in line with our long-term target of 35%.

	Group	
Loan to value ("LTV")	***31 December 2021 £'000***	*31 December 2020 £'000*
Drawn borrowings	***(375,000)***	*(390,000)*
Less cash held at the year end	***37,127***	*33,927*
Net borrowings	***337,873***	*356,073*
Property valuation	***1,021,288***	*1,004,651*
LTV calculated as net borrowings / property valuation	***33.1%***	*35.4%*

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).

Alternative Performance Measures ("APM") – The Group uses alternative performance measures, including the European Public Real Estate ("EPRA") Best Practice Recommendations ("BPR"), to supplement IFRS as the Board considers that these measures give users of the Annual Report and Financial Statements the best understanding of the underlying performance of the Group's property portfolio.
The EPRA measures are widely recognised and used by public real estate companies and investors and seek to improve transparency, comparability and relevance of published results in the sector.
Reconciliations between EPRA and other alternative performance measures and the IFRS financial statements can be found in Notes 8 and 9 and in the definitions below.

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/CSO.

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.

Definitions continued

Loan-to-value or LTV – A measure of borrowings used by property investment companies calculated as total drawn borrowings, net of cash, as a percentage of Property 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.

SONIA – Sterling Over Night Index Average is the effective reference for overnight indexed swaps for unsecured transactions in the Sterling market. The SONIA itself is a risk-free rate.

The Code – UK Code of Corporate Governance, as published in 2018.

Total Return (“TR” or “TAR”) – The growth of NAV per share plus dividends per share measured as a percentage.

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 Sustainability Officer)
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Stuart Beevor (Non-Executive Director)
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Notes

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