ESP Empiric Student Property

EMPIRIC STUDENT PROPERTY PLC

Annual Report and Accounts
for the year ended 31 December 2017

Empiric is an internally managed Real Estate Investment Trust, investing in and managing purpose-built student accommodation ("PBSA").

Since our IPO in 2014, we have built an excellent core portfolio of studio-led accommodation, which attracts a broad range of students. We continue to evolve into a multi-niche company, with assets suitable for all students throughout their time at university. This "fresher-to-PhD" offer, in which we let directly to students, differentiates us from most of our sector.

We acquire and develop smaller buildings with real character, which we network together for operational and financial effectiveness. Their size allows us to invest in extraordinary locations in key university towns and cities, while helping to create a rich sense of community for our customers.

Front cover:
Buccleuch Street, Edinburgh

Inside front cover:
Claremont Place, Newcastle

HEADLINES

Operational Headlines

- 94 assets with 9,158 beds contracted at 31 December 2017, in 29 prime university cities and towns
- 85 revenue-generating properties at the year end, with an average valuation yield of 5.7% compared with an average yield on acquisition or cost of 6.7%
- 1,460 new beds in the 2017/18 academic year including 1,031 beds from nine newly completed developments
- During the year acquired four standing assets (429 beds), one forward funded asset (106 beds), one development site (153 beds) and Revcap's 50% interest in the Willowbank joint venture (178 beds)
- Occupancy of 92%, which was affected by local property management issues and local economic conditions. Pricing review, earlier marketing and process monitoring have been put in place to support full occupancy for the coming year
- Increased the number of assets on the Hello Student® platform by 26 to 62 during the year, meaning that Hello Student® is marketing or managing 73% of the Group's operational buildings
- Agreed a £10 million three-year unsecured loan, which has been fully drawn down, and a £70 million three-year revolving credit facility, which was undrawn at the year end

Financial Headlines | *as at December 2017*

Portfolio valuation | *£m*

890.1

2016 721.3

NAV per share | *p*

104.37

2016 105.90

Dividend declared per share | *p*

5.55

2016[2] 3.05

Gross annualised rent[1] | *£m*

65.3

2016 52.1

Adjusted earnings per share | *p*

1.86

2016[2] 0.72

Revenue | *£m*

51.2

2016[2] 19.2

Earnings Per Share | *p*

3.84

2016[2] 3.38

EPRA earnings per share | *p*

0.70

2016[2] 0.38

1 Gross annualised rent includes commercial revenue and marketed student revenue for the academic year, at full occupancy (the Group considers student occupancy levels of 97% and above as fully let).

2 For the six month period ended 31 December 2016.

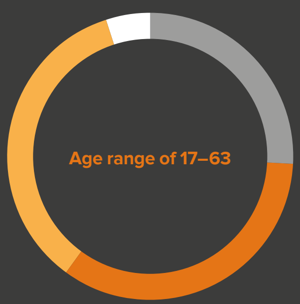
AT A GLANCE

Empiric has a high-quality portfolio of student accommodation assets, well located in key university towns and cities across the UK, and let to a broad range of domestic and international student customers at every stage of their journey.

A targeted portfolio.

Our Tenants

by Level of Study



as at 31 October 2017

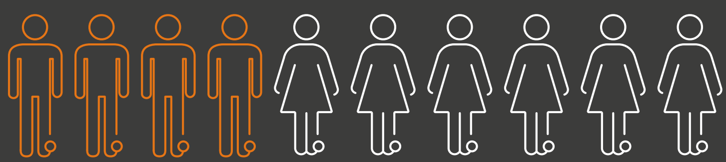
Undergraduate First Year	*26%*
Undergraduate Returner	*34%*
Postgraduate	*35%*
Other	*5%*

by Nationality

as at 31 October 2017

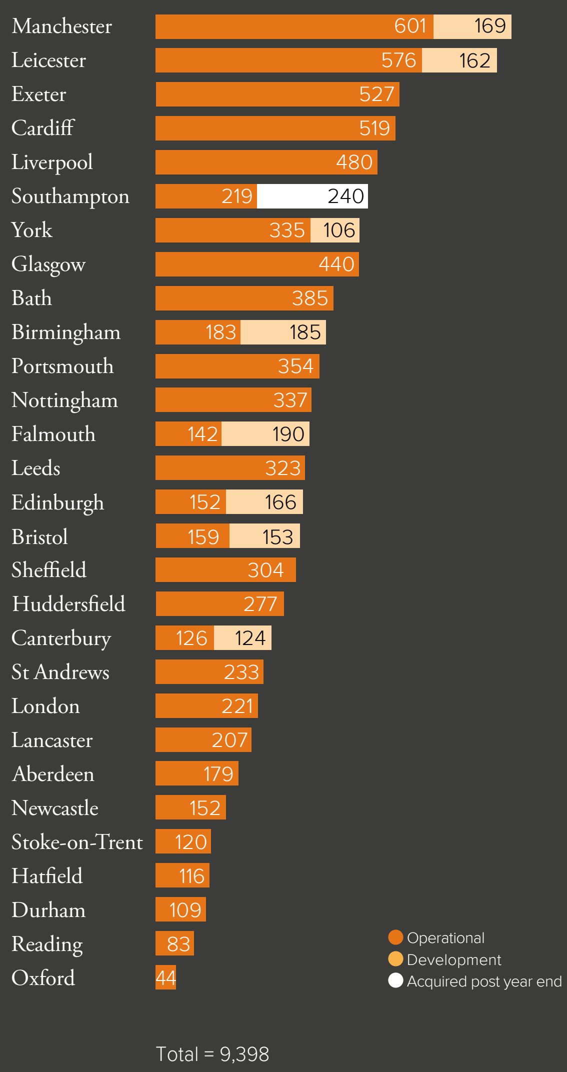
UK	*38%*
EU	*10%*
Non-EU	*52%*

by Gender



Male	*43%*
Female	*57%*

Beds per cities and towns



Revenue-generating assets

85

31 December 2017

75

31 December 2016

Portfolio valuation | *£m*

890.1

31 December 2017

721.3

31 December 2016

Cities and towns

29

31 December 2017

30

31 December 2016

Assets contracted

94

31 December 2017

89

31 December 2016

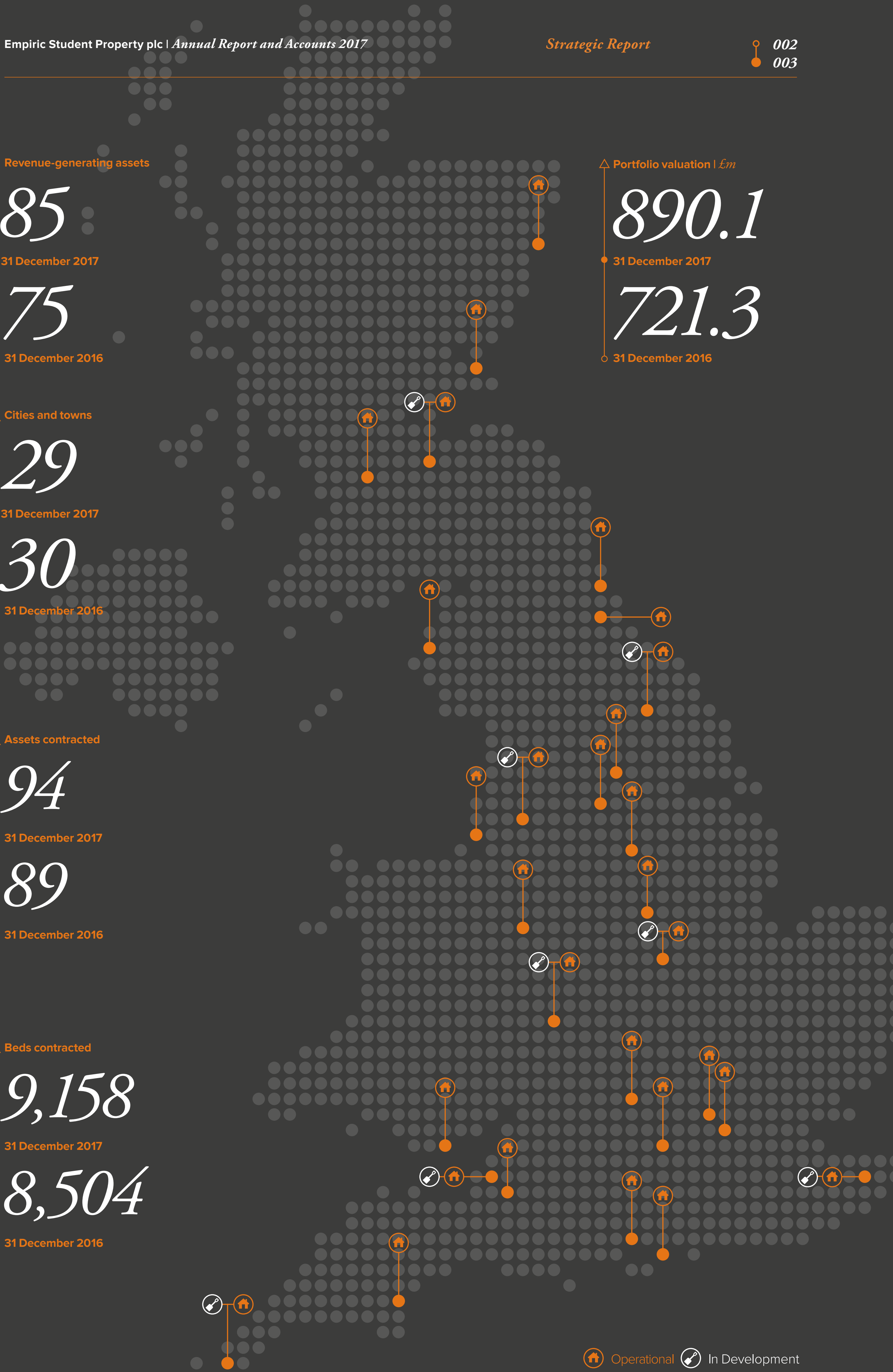
Beds contracted

9,158

31 December 2017

8,504

31 December 2016



CHAIRMAN'S STATEMENT

The work management is doing will transform Empiric's performance and support delivery of its target total return of 10% per annum.

Focused on delivery.

Dear Fellow Shareholder

The Rt Honourable the Baroness Brenda Dean of Thornton-le-Fylde was Non-Executive Chairman of the Board of Empiric from 28 May 2014 until her death on 13 March 2018.

She presided over the Company for the financial year reported on in this Annual Report and she was involved in preparing the document until 13 March when it had reached an advanced stage. It is due to this involvement that the Company has decided that the Chairman's Statement, Chairman's Introduction to Corporate Governance and the Nominations Committee Report should be published in her name.

As Acting Chairman as of 14 March 2018, I confirm that I fully support and endorse the statements made in this report.

The Board and staff of Empiric are deeply saddened by her loss, but immensely grateful for Brenda's contribution to the Company and the impact she had more widely during her illustrious career.

Brenda will be hugely missed.

Stuart Beevor
Acting Chairman

Dear Fellow Shareholder

The Board is acutely aware that performance was below expectations in what was a difficult year for Empiric. We have identified the reasons for this and have taken quick and decisive action to rectify it. The work we are doing will transform Empiric's performance and support delivery of our target total return of 10% per annum.

Performance and Business Review

The Group has grown significantly since the IPO in 2014 and particularly between June 2016 and the start of the 2017/18 academic year. During this time, we increased the number of operating beds by more than 70% and more than trebled the number of buildings on the Hello Student® operating platform. The performance of the operating portfolio this year has been affected by financial and operational inefficiencies, both in the Group and in its supply chain. In addition, while the majority of the operating portfolio is fully let[1] for the current academic year, lettings at a number of our properties including in Aberdeen and Cardiff were significantly below target (see page 20), contributing to overall occupancy of 92%. Together, these factors reduced our operating margin for 2017 to 57%. This in turn affected dividend cover, requiring the Board to reduce its dividend target for the third and fourth quarters of 2017 and for 2018.

1 The Group considers occupancy levels of 97% and above as fully let.

Lynne Fennah, who joined us as Chief Financial Officer ("CFO") on 26 June 2017 has led a full review of the Group. As a result, with the strengthened finance team, we have implemented significant financial and operational improvements to the Group's processes, reporting and procedures.

Since the end of the financial year, the Board has also decided to bring the remaining buildings managed by third parties onto the Hello Student® platform ahead of the 2018/19 academic year, helping us to drive occupancy and revenue. We are also bringing facilities management in-house, which will further reduce costs. (See page 18 for more information.) The Board is targeting an operating margin of above 70% and we expect to make significant progress towards this during 2018.

The Group is also rigorously focused on reducing administration expenses, which totalled £13.5 million for the year (H1: £7.6 million, H2: £5.3 million). This included a number of one-off costs, and we have also identified further savings (see page 18). The Board is now targeting administration expenses of £10 million in 2018.

The Group continued to grow its portfolio at a manageable rate during the year, through selected acquisitions and the successful completion of a number of developments. At the year end, the property portfolio was independently valued at £890.1 million, an increase of 23.4% for the year. More information about the portfolio and the valuation can be found in the Chief Executive Officer's review on page 12.

Dividends

Our dividend target for 2017 was 6.1 pence per share. We paid interim dividends in line with this target in respect of the first two quarters of the year, totalling 3.05 pence per share. However, with dividend cover falling below our original expectations, on 23 November the Board announced a reduced target for 2017 of 5.55 pence per share. We declared dividends of 1.25 pence per share in respect of both the third and fourth quarters and therefore met this revised target.

For 2018, the Board is targeting a dividend of 5.0 pence per share. We expect to see a significant improvement in dividend cover during 2018 on an adjusted earnings basis, and for the 2019 dividend to be fully covered.

Strategy

In 2016, we set out a long-term strategy for Empiric, which is described on page 8. The Board continues to believe this is the right strategy for the Group and that it will deliver attractive returns for shareholders. However, our priority for the coming months is to maximise the returns from our existing asset base, through the operational improvements discussed above and by fine tuning the portfolio and reshaping our investment portfolio. The Chief Executive Officer's review explains more about our strategic priorities.

The Board has taken difficult decisions that are in the long-term interests of Empiric and its shareholders.

Board, Management and Staff

We were delighted to appoint Lynne Fennah and her experience in the real estate and hospitality sectors is already proving invaluable to the Group. Lynne replaced Michael Enright, who resigned on 14 March 2017.

On 11 December 2017, the Board gave Paul Hadaway notice to terminate his employment with the Company and he formally stepped down as Director on 12 December 2017. The Board acknowledges his contribution to the business and wishes him well.

Tim Attlee, Chief Investment Officer and co-founder of Empiric, agreed to assume the additional role of acting Chief Executive Officer. The Board firmly believes that Tim, with his in-depth knowledge of the business and sector, is the right person to lead us through this period of transformation. Following Paul Hadaway's departure, Lynne Fennah has also taken on responsibility for the Group's operations.

The new team has made a great start in bringing about the improvements arising from the review of the Group.

The Board has been deeply involved in the business in recent months and has taken difficult decisions that are in the long-term interests of Empiric and its shareholders. It is healthy for the Board to regularly review how it functions and therefore conducted an external review of the performance of the Board and its Committees, which was completed in February 2018. More information can be found on page 46.

This has been a challenging time for Empiric and our people have responded superbly. Their energy and commitment to the Group's success has been unfaltering, and I thank all of them on behalf of the Board for their contribution.

Shareholders

Since the IPO, we have worked hard to build strong relationships with our shareholders and we will continue to regularly engage with them, so they are informed about our plans and progress. On behalf of the Board, I want to thank our shareholders for their continued support. The Board has a strong sense of responsibility to our shareholders and we are determined to ensure positive outcomes for them and for all our stakeholders.

Summary

The Board is confident that the actions we are taking, coupled with Empiric's excellent portfolio, will ensure a bright future for the business. We expect these actions will deliver growth in operating margin and dividend cover during 2018 and beyond. As a result, we continue to target a total return of 10% per annum over the medium term.

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

Statement made prior to her death and approved by the Acting Chairman below:

Stuart Beevor

Acting Chairman | 21 March 2018

OUR MARKET

Student accommodation is the largest alternative real estate sector in the UK, sustained by rising participation in higher education and continuing strong global demand. Empiric continues to focus on city and asset selectivity as critical factors in achieving high occupancy and increasing rents long term.

City & asset selectivity.

Demand for UK Higher Education Continues to Rise

There were 1.8 million full-time students in UK higher education in 2016/17, up 3.3% on the previous year. The number of full-time students from the UK and EU rose by 3.8% and 7.0% respectively, with non-EU student numbers roughly flat. Students from the UK made up 77.5% of the total, with 6.7% from the EU and 15.8% from outside the EU.

For the 2017/18 academic year, 241,500 UK 18 year olds accepted a university place. Applications for 2018 entry for this cohort show increased participation. This is the highest-ever level, despite the current decline in this demographic (see Chart 1 overleaf). The number of 18 year olds in the UK is set to rebound sharply from 2021, which should further increase demand for higher education.

Acceptances of EU students for undergraduate courses in 2018/19 declined by 2% but applications for 2018/19 as at January 2018 indicate an increase of 3%. The impact of Brexit may not have been fully felt so far, as tuition fees are held at home rates and student loans applied for in 2018/19 will be honoured for the duration of their study. While EU students make up only a small proportion of the UK student population, meaning that movements in their numbers should have only a limited effect on demand for higher education, they make a valued contribution to universities.

Demand from non-EU international students is driven by the quality of the UK's higher education system, boosted by the UK's relatively good value as an English-speaking study destination. Non-EU undergraduates accepted applicants for 2017/18 were up 5% and applications at January 2018 for 2018/19 had increased by 11%.

International students are currently included in net migration figures, which the government has pledged to reduce. However, there is strong political pressure for international students to be excluded from the UK's net migration figures, given the significant economic and cultural benefits they bring to the UK. In 2017, a study by Universities UK estimated the economic benefit of international students to the UK at £25.8 billion. A further study from HEPI showed a net benefit after costs of £20.3 billion. The Migration Advisory Committee is due to report its findings on the value and impact of international students on the UK's economy in September 2018.

In addition to rising undergraduate demand, the number of postgraduate students increased by 5.3% to more than 321,000 in 2016/17 (see Chart 2). The growth was driven by UK residents and coincided with the introduction of loans for masters level students. This may spur additional demand for PBSA from UK postgraduate students.

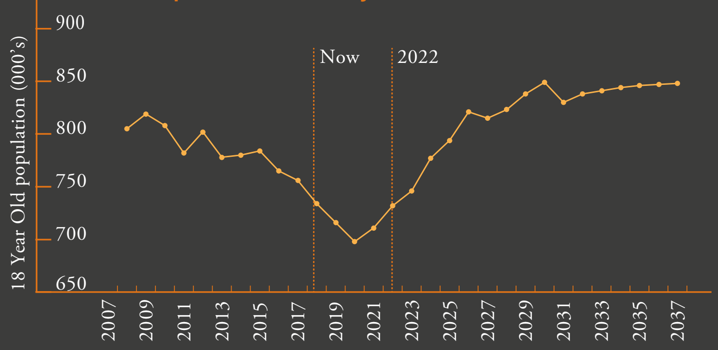
Student Demand for PBSA is Increasing in Strong University Locations

Students studying outside their home area are most likely to live in PBSA, and Cushman & Wakefield's 2017 report shows overall demand is ahead of supply, at 2.3 non-local students per bed nationally. Demand is higher still in supply constrained locations with growing universities.

Students are increasingly discerning about where they study and the UCAS End of Cycle Report 2017 highlights the flight to quality, with new undergraduates shunning the lower-end institutions in favour of those where they can obtain better employment outcomes, resulting in growth in the mid-tier of universities. These more successful institutions also attract more non-local students and international students, and offer opportunities to increase PBSA bed numbers, both on and off campus. Empiric's strategy focuses on the towns and cities with high-quality institutions with strong demand and supply relationships. Chart 3 highlights that Empiric's locations have grown faster than the UK average and Chart 4 shows the greater proportion of students studying away from home who will require accommodation.

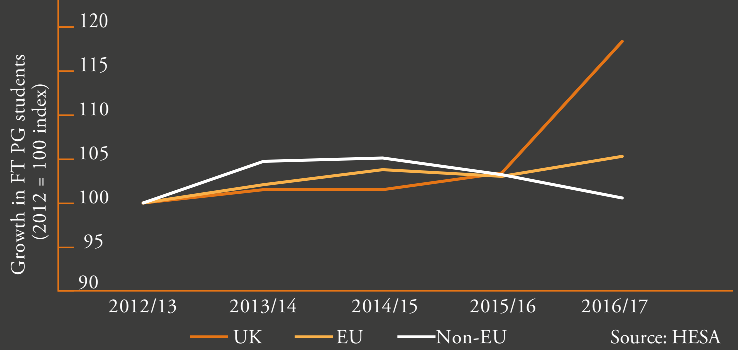
The dynamics of rising student numbers and constraints on new supply are contributing to rising rents. Nationally, weekly headline rents increased by 2.9% between 2016 and 2017, with variance between cities. Rent increases were ahead of the previous year, when Cushman & Wakefield recorded an increase of 2.7% on the same basis.

Chart 1: Population of UK 18 year olds



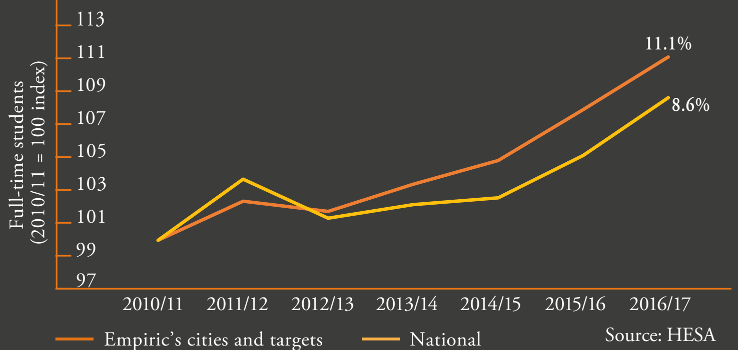
Source: ONS

Chart 2: Full-time Postgraduates by Domicile



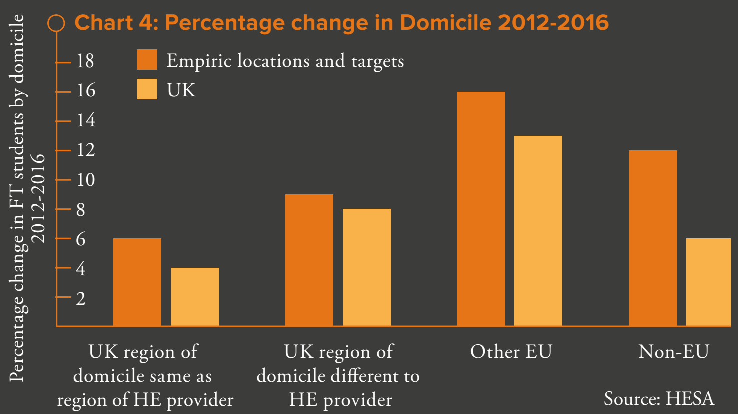
Source: HESA

Chart 3: Growth in full-time students



Source: HESA

Chart 4: Percentage change in Domicile 2012-2016



Source: HESA

The Supply of PBSA Continues to Grow but Land Prices Influence each City's Rate of Development

There has been a great deal of development in the student accommodation sector in recent years. According to Cushman & Wakefield, the supply of rooms rose to 602,000 in 2017, up 30,000. Of this increase, 43% was in the form of studios, which has raised the level of competition in this area. Mid-priced accommodation remains undersupplied, and an area of opportunity to house mainstream UK students. Empiric's 2025 strategy allows us to react to market conditions and defend against price risk, by providing a wide range of price points and stock types.

A large proportion of students still live in houses in multiple occupation ("HMOs"), which can put pressure on local housing stock. Many local authorities now see PBSA as a way to relieve this pressure. Article 4 Directions, which prevent houses being converted to HMOs are now in place in the majority of university locations. This will prevent further loss of affordable housing, which might otherwise be used by recent graduates and local professionals, and lead to an increased demand for PBSA.

Empiric's strategy allows us to react to market conditions and defend against price risk, by providing a wide range of price points and stock types.

Investment Demand Remains Strong

Investors continue to be attracted to the student accommodation sector. The sector traded £4.6 billion of assets in 2017 according to CBRE, the second highest year on record, with a large proportion of this trade being at the portfolio level as investors seek a foothold in this market. Some yield compression was seen during the year, due to the weight of prime regional and London transactions.

The sector has attracted investment from around the world, with particular interest from North America in 2017. There remains a weight of international capital looking to enter the market.

OUR STRATEGIC OBJECTIVES

We have a well-defined strategy, which is designed to deepen and widen our engagement with, and understanding of, all our stakeholders and to deliver attractive and sustainable benefits to them for the long term.

Locations

Objectives

- Selectively invest in 36 towns and cities
- Create efficiencies in locations with existing assets, plus some additional leading university locations
- Develop in-house metrics of university performance and trajectory, to refine product types and assess locational risk

Progress

- Completed nine developments for the 2017/18 academic year, all in locations where we already have assets
- Expanded the Hello Student® platform, giving us operating efficiencies in locations with multiple assets
- Created an in-house research function, giving us a much deeper understanding of individual locations and the demand for different product types
- Completed a review of all assets and city groups, which is informing the process of reshaping the investment portfolio

Buildings

Objectives

- Continue to purchase core assets
- Increase development options
- Diversify income between different markets and product types, to spread operational risk and increase efficiencies

Progress

- Acquired four standing assets, one forward funded development, a development site and Revcap's 50% interest in the Willowbank joint venture
- Trialled the premium townhouse concept in Exeter and let the development to the University of Exeter for one year
- Trialling the affordable apartment concept in Victoria Point, Manchester

Management

Objectives

- Provide the majority of operational functions in-house
- Grow at a sustainable rate
- Build gross income
- Reduce costs per bed
- Improve operational efficiency

Progress

- Added 26 assets to the Hello Student® platform during the year and after the year end agreed to bring the remaining assets onto the platform for the 2018/19 academic year. There is also a phased approach to bring facilities management in-house
- Increased future gross income through our acquisition, development and redevelopment programmes
- Completed a detailed review of the Group and began to implement significant operational and financial improvements and cost savings
- Began to rationalise staffing levels to improve efficiency

Brand

Objectives

- Improve the student experience through a consistent and high-quality approach to branding, operation and management through the Hello Student® platform
- Build on the Hello Student® consumer brand and capture first year students as new customers and then provide a "fresher-to-PhD" accommodation and service offering

Progress

- 62 assets with 5,819 beds marketed by Hello Student® for 2017/18 academic year
- Hello Student® now operating in 24 cities at the year end, up from 17 at 31 December 2016
- Introduced a new Hello Student® website and enhanced booking system
- Increased the brand reach, with web traffic 3.6 times greater than 2016 and Facebook driving over 50% of referrals to our website

Customers

Objectives

- Enable loyal customers to move building to building and city to city but keep them attracted to the Hello Student® brand and platform
- Ensure high levels of tenant satisfaction are achieved in every location
- Build communities through building design and on-site management programme

Progress

- Conducted Voice of the Tenant research, to understand how Hello Student® is perceived by students and how our buildings perform
- Achieved accreditation by Accreditation Network UK ("ANUK") in January 2017, through the National Code Standards for Larger Student Developments, showing our support for high standards in management and practice

Shareholder Outcomes

Objectives

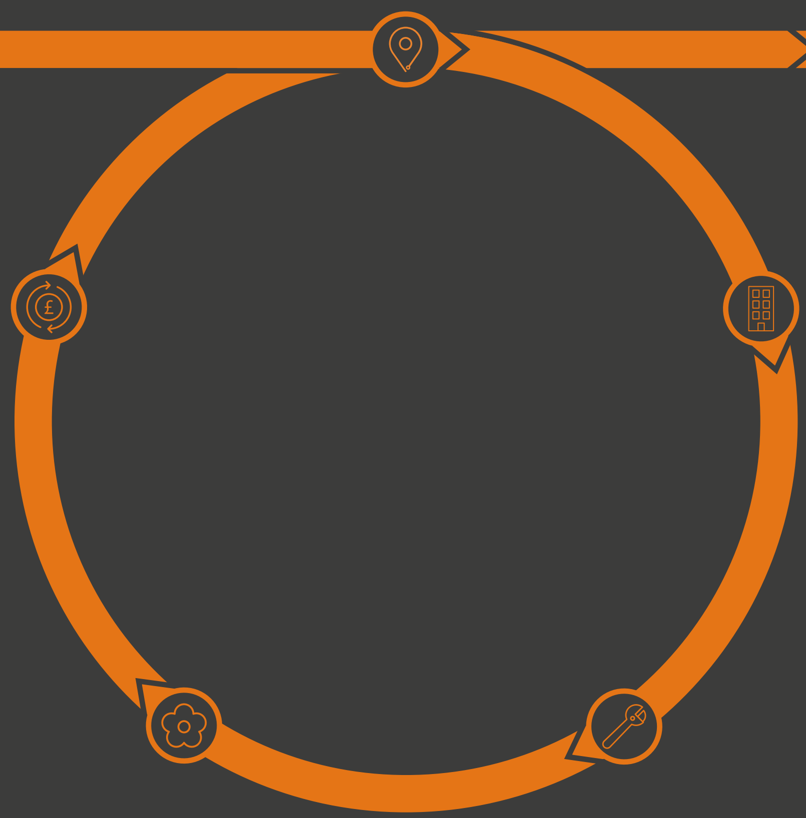
- Improve profitability through lower cost base per city and bed
- Mitigate risk of a single-niche approach and broaden growth opportunities
- Continue to grow a high yield on cost portfolio through development

Progress

- Added 17 assets to the operating portfolio for the start of the 2017/18 academic year
- Added to our pipeline of forward funded and direct developments
- Developed plans to fine tune the portfolio and add further depth to cities where we can earn attractive returns

OUR BUSINESS MODEL

We are evolving into a multi-niche company, with high-quality assets suitable for all students throughout their time at university. This "fresher-to-PhD" offer, in which we let directly to students, differentiates us from most companies in our sector.



Strengths

Physical Assets

We have a diversified and attractive portfolio of properties that offers high-quality accommodation to customers ranging from first year undergraduates to postgraduates.

Specialist Knowledge

We understand how to successfully develop, acquire and operate student accommodation assets.

Relationships

We have strong relationships with universities, developers and potential vendors of PBSA assets.

Financial Assets

We finance our business through a combination of shareholder equity and debt facilities. Our debt has a weighted average term of 6.7 years and interest costs which are predominantly fixed or capped.

Technology

We are developing fit-for-purpose systems to support our operations, booking and accounting.

Select Locations

We are highly selective about where we invest. We currently operate in 29 towns and cities, which are home to some of the most successful universities in the UK and where student numbers are rising faster than average. We select sites based on their compatibility with our operating models and proximity to universities and amenities.

Our investment policy enables us to invest in studio and small-group assets, modern townhouses and affordable apartments, as well as building unique relationships with universities. These four different accommodation niches enable us to invest more deeply in each city.

Investment

Our Investment Policy allows us to invest our capital in a variety of ways. We can acquire freehold or long leasehold interests in individual buildings and portfolios and undertake forward funded and direct developments, on our own or in joint ventures (see below). Over time, we will redevelop selected assets in our portfolio, increasing rental income and capital values. This approach allows us to be flexible, investing our capital in the way that best suits us at the time, so we can prioritise generating revenue in the near term, the delivery of longer-term returns or a balance of the two.

Whichever route we choose, we select buildings with character, that fit our strategic niches and where we can create future goals. Specifications are tailored to each building, with high-quality interiors and the generous provision of communal space. Our buildings have an average of around 100 beds, making them the right size for creating cohesive communities of friends, and are usually clustered together for operational efficiency.

Develop

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, have a lower risk profile as the planning, construction and time risk lies with the third-party developer, have lower staffing requirements and benefit from a forward funding coupon charged to the developer.

Direct development delivers higher yielding assets than forward funding. We have a strong track record, having completed all our direct developments to date on time or ahead of schedule.

Manage

Our Hello Student® platform currently markets and manages most of our assets and all of our assets will be on the platform for the 2018/19 academic year. Adding assets to the platform gives us economies of scale, helps us to cross-sell as customers move between buildings and cities, and assists with recruiting experienced and dedicated staff. Empowering our property managers to feel ownership and pride helps us to drive occupancy and increase the number of students who rebook with us. The platform also gives us improved data on asset performance and insight into students' needs, so we can improve our offering.

Reinvest

We intend to hold our investments for the long term but we may sell an asset if we see an opportunity to create more value for shareholders by reinvesting the proceeds.

Stakeholders

Shareholders

Shareholders benefit from the rising capital value of our portfolio and growing rents, which support our dividends.

Employees

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

Communities

The communities around our assets benefit from reduced pressure on local housing stock.

Customers

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

CHIEF EXECUTIVE OFFICER'S REVIEW

I'm delighted to have been asked by the Board to take responsibility for the management of the Company as Acting CEO and I am confident that our relentless focus will unleash the potential of our portfolio and staff, delivering the transformation the business needs to achieve its full promise.

Unleashing potential.

Clear lessons have been learned from the shortfall in our operating performance in 2017. The Board has asked me to take on the additional role of Acting CEO during this challenging period and I am confident that our relentless focus on increasing revenue, cutting costs and unleashing the potential of our staff will deliver the transformation the business needs to fulfill its potential for all stakeholders.

We continued to enhance the Group's portfolio during the year, through acquisitions and completed developments, and we are now improving profitability through an investment strategy tailored to our current circumstances. Empiric has excellent assets and we are confident that our transformation programme will maximise the value we generate from them.

Strategic Priorities

In our 2025 plan, we set out our vision to be the UK's leading provider of premium student accommodation, offering exemplary locations, buildings and tenant experience, and this remains the case. In the near term, we are tailoring our investment strategy to our current circumstances, with increasing dividend cover being our absolute priority. Empiric has excellent assets, with a total asset value of £973 million, and our transformation programme will maximise the operational profitability of our standing asset portfolio and realise the value of our developments.

Our strategy targets 36 key university towns and cities in the UK. We currently have investments in 29 of these locations, and these remain our primary focus as we look to enhance our operational effectiveness. We are reviewing every asset to determine whether we could enhance returns by disposing of it and reinvesting the proceeds, bearing in mind the transaction costs of disposal and acquisition. This process considers the asset's financial performance, alongside the growth profile of the university it serves, the supply pipeline in its market and the implications for rental growth, recognising that supply in some cities is strong and this has challenged occupancy levels. The scale of this portfolio fine tuning will be modest and is likely to involve no more than 5-10% of our assets by value.

Where we dispose of assets, we will look to drive efficiencies by re-investing more deeply in existing markets and increasing our range of product and price points, as we are already doing successfully in Exeter, Leicester, York and Manchester. This will ensure we have something to offer everyone from first year undergraduates to postgraduates and help us to cross sell within the Hello Student® brand. Markets with excellent universities and constrained supply of PBSA will be prime candidates for investment. We will look to acquire standing assets rather than development opportunities where possible, to ensure any acquisitions contribute to rental income from day one.

Completing the transition of assets to the Hello Student® platform is a core goal, as it will help us to drive occupancy and efficiencies, so we maximise revenue and margins.

Completing the transition of assets to the Hello Student® platform is a core goal, as it will help us to drive occupancy and efficiencies, so we maximise revenue and margins. More information about Hello Student®'s progress in 2017 can be found on page 19.

Portfolio Summary

At 31 December 2017, the Group owned, or was committed on, 94 assets representing 9,158 beds (31 December 2016: 89 assets, representing 8,504 beds). The portfolio included 85 revenue-generating assets (31 December 2016: 75 assets). This will increase to 91 for the 2018/19 academic year, with a further three for later years.

The gross annualised rent for the 85 revenue-generating properties at the year end was approximately £65.3 million (31 December 2016: £52.1 million). Of this, £1.8 million was attributable to commercial revenue, representing 2.8% of the gross annualised rent (31 December 2016: £1.8 million, representing 3.5% of the gross annualised rent). The gross annualised rent roll is expected to increase to £72.2 million for the 2018/19 academic year, following completion of the four development and two redevelopment projects that are currently under way. In November 2017 we announced a like-for-like rental growth target of 3.2% for the 2018/19 academic year. With 44% of rooms let under assured short-hold tenancies, as at the date of publication, 3.2% is at the upper end of our expectations but we have made demonstrable progress towards that target.

Valuation

Each property in the portfolio has been independently valued by CBRE, in accordance with the RICS Valuation – Professional Standards January 2014 (the "Red Book"). At 31 December 2017, the portfolio was valued at £890.1 million, an increase of 23.4% for the year (31 December 2016: £721.3 million).

The increase in valuation has been driven by a combination of acquisitions, yield compression and rental growth in the majority of our cities, which are continuing to see strong demand, tempered by a reduction in the valuation of assets located in certain cities, including Aberdeen and Cardiff, where we have faced operational challenges (see page 20).

Asset Acquisitions

During the year, we announced the acquisition of four standing assets, one forward funded project and one development site, at a total cost of £64.5 million. These purchases added 429 operational beds to the portfolio, with the potential to add over 500 further beds once the developments are complete. Details of the acquisitions can be found in the table on page 31. In addition to these transactions, we also purchased Revcap's 50% share in the Willowbank joint venture in Glasgow.

CHIEF EXECUTIVE OFFICER'S REVIEW | CONTINUED

Empiric has excellent assets and we are confident that our transformation programme will maximise the value we generate from them.

The standing assets acquired primarily comprise our core studio accommodation, as well as a number of townhouses and apartments. The property we acquired at South Bridge, Edinburgh, is let to the University of Edinburgh until March 2020 on an internal repairing lease, guaranteeing us full occupancy for the remaining term.

The development projects will provide further studios, as well as two and three bed apartments and six bed townhouses, in line with our strategy of diversifying our product types.

Developments

The Group made significant progress with its development projects during the year, with 1,031 new beds being completed for September 2017. These included our first premium townhouses, at Clifton Place, Exeter, which we let to the University of Exeter for the 2017/18 academic year. Once we have completed the projects which are currently in progress, we will have delivered more than £250 million of assets at cost through forward funded and direct developments, showing the importance of development to the Group's growth.

In total, seven forward funded projects reached completion and became operational in 2017. An eighth forward funded project, Trippet Lane in Sheffield, was delayed and is due to be completed in April 2018. Trippet Lane was therefore subject to a rental guarantee from the developer for the 2017/18 academic year. Rental guarantees on forward funded developments give us full protection in the first year of selling, mitigating construction risk for us.

The delay to Trippet Lane highlighted the benefit of owning a number of properties in a city. We completed our development project at Provincial House in Sheffield ahead of schedule, allowing us to offer places to students who had booked a place in Trippet Lane. In addition, we were able to offer places to students on the waiting list at our other Sheffield property, Portobello House. The completion of Provincial House maintains our record of completing all direct developments on time or early.

In November 2017, we obtained planning permission at Ocean Bowl, Falmouth, for 190 beds. This development will contribute much needed student accommodation and relieve pressure on the local housing market. Falmouth has one of the fastest growing student populations in the UK, with a student to bed ratio of 2.7:1, against the national average of 2.3:1. Ocean Bowl complements our scheme next door, Maritime Studios, and will allow us to benefit from operational efficiencies. Details of completed and current development projects can be found in the tables on page 31.

Redevelopments

Victoria Point is a flagship asset in Manchester, comprising six blocks which between them contain the three direct let asset types in our portfolio. Four of the blocks are currently operational, while blocks 3 and 4 are undergoing redevelopment to provide affordable accommodation suitable for returning undergraduates. These blocks will be operational for the 2018/19 academic year.

We have identified eight other operating assets which are suitable for redevelopment, giving us the potential to enhance the properties and increase rental income and capital values. Any redevelopment would be subject to the availability of finance and would be carefully timed to minimise the impact on dividend cover.

Disposal

On 27 November 2017, we completed the disposal of the Forthside Way development site in Stirling for £2.0 million. Our focus is on building critical mass in our target cities and this was our only asset in Stirling. We sold the property with the benefit of planning permission we obtained for a 208-bed PBSA development, resulting in a substantial uplift in value above the original acquisition price.

Safety

The safety of our students is always a top priority for us. Following the devastating fire at Grenfell Tower in June 2017, we commissioned an independent building-control approved inspector and fire-risk assessor, to undertake a full fire risk review of all our operating properties, from both a construction and operational perspective. While all buildings have been physically inspected, the formal reporting process will be ongoing during Q1 2018. The initial reports indicate that all the buildings in the portfolio are physically fully fire safety compliant and the on-site operating staff are trained in fire risk awareness and fire safety procedures. Monitoring of the physical assets continues and our staff are receiving ongoing training.

People and Culture

The entire team is focused on transforming Empiric's performance, and this is at the heart of the cultural change that is now under way. Everything we do is with the aim of increasing revenue, reducing cost or helping the team to perform more effectively. Applying our energy to these three areas is a key part of successfully turning our financial and operational performance around.

We recognise that diversity can lead to better decision making and improved business outcomes.

We are therefore striving to build a positive, collaborative and communicative culture, where our people bring forward suggestions for improvement, take responsibility for execution and are empowered to act, with appropriate oversight. Everyone will have the opportunity to learn new things, increase their skills and develop their careers.

Our aim is to reward commitment and success, so we are putting in place measurable objectives for all our people and will appraise their performance against them. These individual objectives will align with the three main Group objectives – maximising revenue, reducing cost and building a strong team ethic – to ensure rigorous focus on what is important.

We have significantly strengthened the team this year, to ensure we have the right calibre of people, not least in finance (see page 21).

We recognise that diversity can lead to better decision making and improved business outcomes. The changes to our team this year have further improved our gender diversity, particularly at a senior level. More information can be found on page 26.

Post Balance Sheet Events

Since the end of the financial year, we have acquired Emily Davies Halls of Residence in Southampton, which diversifies our portfolio in the city and extends our ability to provide affordable accommodation and diversifies our portfolio in the city. We have also completed the land purchases of Falmouth Ocean Bowl and Edinburgh King's Stables Road.

Outlook

Our challenge for 2018 is to drive the profitability of our entire portfolio, while bringing all externally resourced operational functions in-house and completing their integration.

The strength of the underlying investment thesis coupled with the high quality of our assets will support this transformation and provide a platform for the resumption of the Empiric's growth.

Tim Attlee

Acting Chief Executive Officer
21 March 2018

STRATEGY IN ACTION

Brand | Europa House

Delivering on our brand promise.

Europa House

242 beds

Europa House is one of Empiric's new assets for 2017, consisting of 242 rooms in a mix of studios, and 2 to 4 bed apartments.

"Europa is a very friendly, happy place to live in. The team has worked hard to give it a home feeling rather than halls, learning everyone's names, knowing who their friends are and helping with any problems that arise. The reception is an approachable area for everyone and often full of laughter. The ambassadors run film nights every two weeks and the team organise events every month. This could be a pizza night, local acoustic band or quiz night. It is in a great location being next to Gunwharf, great for shopping, transport, and eating out! The building is tall and the views are beautiful from every room."

Accommodation Manager
Europa House


Gunwharf Quays
0.4 miles | 7min walk
University of Portsmouth
0.7 miles | 15min walk
ZZZZ

OPERATIONAL AND FINANCIAL REVIEW

This section of the report provides more information on the actions arising from our business review, our progress with Hello Student® and our financial performance in 2017.

Driving efficiency.

Operational Review
As discussed in the Chairman's Statement on page 4, we completed a full review of the Group's operations and financial performance and announced our findings on 23 November 2017. The review identified a number of inefficiencies within the Group and its supply chain, which we are rapidly rectifying. This has resulted in more focus on revenue management and on achieving the levels of revenue we expect by returning to full occupancy at 97%, alongside reviewing and reducing both our direct and administrative costs.

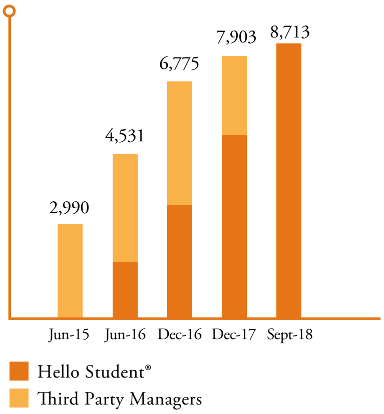
We have been working to rationalise costs internally, as we consolidate our lettings operations. Central buying of utilities, for instance, has now been secured and will be effective from September 2018.

The Board has also approved two key actions which will significantly improve our operational effectiveness, reduce our direct costs and contribute to margin. First, we will bring all the properties currently being managed by third-party PBSA managers onto the Hello Student® platform, ahead of the 2018/19 academic year. This will enable us to directly manage costs, give us full control over the marketing of those assets and the interactions with students, and provide us with live data on our entire portfolio, so we can respond dynamically to changes in the market and drive occupancy and revenue.

The second critical change is that we will start to in-source the facilities management services from their current outsourced service providers, and we have appointed GVA to assist us with both building in-house capability and the transition plan. Internalising of facilities management will save us the providers' profit margin and VAT, thereby generating a saving after recruiting staff and other costs to undertake this process. Cost savings will start to be delivered from the start of the 2018/19 academic year.

Administration expenses in 2017 included a number of one-offs, as explained in the Financial Review. We are also taking action to cut administration expenses further, including reducing consultancy agreements and contractor headcount. Administration costs in the second half of 2017 came in at £5.9 million, as forecast, and we are working to bring further tasks in-house to reduce this over the next year. Changes to our forecasting process during the year have resulted in much more accurate information being provided for decision making, and we will continue to evolve these forecasting models.

Operating beds by manager



Hello Student®

We continued to increase the number of assets on the Hello Student® platform during the year. At 31 December 2017, 62 of our 85 revenue generating assets were on the platform, up from 36 a year earlier. With the exception of one asset in Exeter, all new assets during the year went onto the platform, rather than to third-party managers. Hello Student®'s ability to support the mobilisation of new assets was shown by the performance of Samuel Tuke Apartments and George Street, which were both full in their first year of operation.

We launched the new Hello Student® website in November 2017. This enables us to track enquiries and provides improved reporting, as well as offering us better control of the content and having a smarter, more visually engaging customer interface. We also upgraded our bookings software, which has provided greater levels of analytics.

The Hello Student® brand is building and engagement with the website is continually growing, with a 460% increase in web traffic in 2017, compared with the previous year. Social media is central to our sales platform, as we use it to engage with students, raise awareness of the Hello Student® brand and drive website traffic. In 2017, we had a total of 74,000 Facebook followers and the total reach of all our posts was 2.2 million. Facebook was also responsible for driving over 50% of referrals to the Hello Student® website.

The increasing scale of the Hello Student® platform offers rationalisation opportunities, as we look to make sure it is as efficient as possible in each city. We therefore began reviewing staffing levels towards the end of 2017. We also introduced more robust performance management for our people, as described in the Chief Executive Officer's review.

During the year, we trialled a new in-house capability to manage the back office processing of bookings and payments, and transferred our four properties in Cardiff onto the new system. However, issues with the new system were a significant contributor to low levels of occupancy in Cardiff, as discussed in more detail below, and we therefore discontinued the trial and moved the properties back to the existing Hello Student® system.

We continue to review the student booking journey, to ensure it is the best user experience it can be, and that the interface between the online processes and our physical presence is as seamless and effective as possible.

OPERATIONAL AND FINANCIAL REVIEW | CONTINUED

In 2017, we had a total of 74,000 Facebook followers and the total reach of all our posts was 2.2 million.

Research and Development

An important output from our operating platform is improved data on students' needs and preferences, and the performance of our assets. Our programme of student satisfaction and innovation research gives us valuable insight into how we can improve our offer. We conduct deep analyses of our cities, including the financial performance of the universities, the type of students they attract, where those students come from, the supply, quality and price of accommodation, and the niches we can successfully target there. This has benefits in honing operational reporting and acquisition insight, as well as allowing us to further develop relationships with universities.

Financial Performance

Comparative Figures

The change in our financial year end from June to December during 2016 has resulted in the comparative period for this set of results being the six months to 31 December 2016. Comparisons of amounts in the income statement between the two periods are therefore not meaningful and the discussion below focuses on performance in 2017 on a standalone basis.

Financial Results

Revenue from our assets was £51.2 million in 2017 (H2 2016: £19.2 million). Growth in the year resulted from the increase in revenue-producing assets from 75 to 85 and higher average annual rents. However, the portfolio was only 92% let for the 2017/18 academic year (2016/17: 97%). The large majority of the shortfall was the result of poor lettings in Aberdeen and Cardiff. Aberdeen was affected by local economic conditions, resulting from the oil price slump causing a mass increase in housing supply in the city. Cardiff had new supply entering the market, causing price disruption in existing buildings during their mobilisation year. In addition, Cardiff transitioned management into Hello Student® mid sales cycle, there were local management conflicts and the systems problems noted above, which have now been resolved.

There were also a number of other cities where occupancy was affected to a lesser extent. The transition of a large number of assets to the emerging Hello Student® platform was a factor, as well as operational issues in cities such as Glasgow and Newcastle. In response, we have adopted earlier and more strategic transition programmes, reduced initial listed rents in Cardiff and Aberdeen, which are offset by higher than average rents in other cities, and introduced rigorous weekly monitoring of bookings. We continue to monitor opportunities to maximise income by adjusting rents in light of demand throughout the bookings cycle.

The shortfall in occupancy and the operational inefficiencies outlined above resulted in operating profit under IFRS of £32.5 million for 2017 (H2 2016: £20.2 million). This included an aggregate revaluation uplift of £15.8 million, net of property acquisition costs, on our property portfolio at the year end (H2 2016: £14.5 million), and a gain of £1.1 million (H2 2016: £nil) on the sale of Forthside Way in Stirling. The operating margin for the year was 57%.

Administration expenses for the year were £13.5 million (H2 2016: £5.3 million), with £7.6 million incurred in first half and £5.9 million in the second half. There were a number of one-off costs in the first half, including the settlement agreement with the previous Chief Financial Officer and the cost of temporary finance staff, to support our migration to a new accounting platform. The second half of the year contained one-off costs for the settlement agreement with the previous Chief Executive Officer.

Net financing costs for the year were £11.8 million, net of money market investment income and the fair value gain on interest rate swaps of £0.1 million (H2 2016: £4.2 million and £0.3 million, respectively).

Profit before tax for 2017 was £20.8 million (H2 2016: £16.9 million). No corporation tax was charged, as the Group fulfilled all of its obligations as a REIT. Basic earnings per share were therefore 3.84 pence (3.83 pence on a diluted basis) (H2 2016: 3.38 pence and 3.35 pence (diluted)).

The Net Asset Value ("NAV") per share as at 31 December 2017 was 104.37 pence, prior to adjusting for the interim dividend for the quarter ended 31 December 2017 of 1.25 pence per share (31 December 2016: 105.9 pence, prior to adjusting for the interim dividend of 1.55 pence per share). The NAV is shown net of all property acquisition costs and dividends paid during the year.

Dividends

The dividends declared and paid in respect of the 2017 financial year are shown in the table overleaf. The changes to our dividend targets for 2017 and 2018 are covered by the Chairman on page 4.

Of the total dividends in respect of the year, 2.94 pence per share was declared as a property income distribution ("PID") and 2.61 pence per share was declared as ordinary UK dividends (H2 2016: 0.93 pence per share and 2.12 pence per share respectively).

Dividends

Quarter to	*Declared*	*Paid*	*Amount (p)*
31 March 2017	10 May 2017	31 May 2017	*1.525*
30 June 2017	4 July 2017	1 August 2017	*1.525*
30 September 2017	23 November 2017	15 December 2017	*1.25*
31 December 2017	26 February 2018	Due 23 March 2018	*1.25*
			5.55

Our adjusted earnings per share, which we see as the most relevant measure when assessing dividend distributions, were 1.86 pence (H2 2016: 0.72 pence). Adjusted earnings per share is defined under Key Performance Indicators on page 22.

At 31 December 2017, the Company had distributable reserves of £75.6 million, which compares with the cash cost for the total dividend for 2017 of £30.6 million. We therefore have substantial headroom for the payment of future dividends.

Equity Financing

On 24 July 2017, we completed a placing, open offer and offer for subscription for 100,917,432 shares, at an issue price of 109 pence per share. This raised net proceeds of £107.6 million. At 31 December 2017, £73.8 million of the proceeds had been committed.

Debt Financing

On 6 March 2017, we agreed a new unsecured term loan facility of £10 million, which was drawn down in full. This was our first facility at the Company level, reflecting the maturity of the business. The facility has a three-year term and an all-in cost of 2.15% p.a. On 20 November 2017, we announced a new secured, three-year £70 million revolving credit facility ("RCF") with Lloyds Bank. The RCF has a margin of 1.75% above three-month LIBOR and can be extended by 12 months, by mutual consent, on each of the first and second anniversaries, to give a total term of five years. The RCF was undrawn at the year end.

During the year, we also extended the terms of two existing facilities. These were:
- the £32.8 million facility with AIB Group (UK) PLC, which is now repayable in October 2020; and
- the £30.63 million facility with Royal Bank of Scotland, which now becomes repayable in December 2018.

In addition, following our acquisition of Revcap's 50% share of the Willowbank joint venture, we repaid the joint venture's outstanding debt of £9.5 million.

As at 31 December 2017, the Group had committed debt facilities of £390 million, of which £303.8 million had been drawn down (31 December 2016: £310 million of facilities, with £243.9 million drawn down). Of our total facilities, £191.1 million is at fixed interest rates and £198.9 million is at floating rates, with a further £35.5 million of the floating rate debt subject to interest rate caps or swaps. The aggregate cost of debt is 3.25%, with a weighted average term of 6.7 years at 31 December 2017. We fully complied with our covenants during the year.

Our LTV ratio at the year end was 32.9% (31 December 2016: 31.1%). Our borrowing policy is to maintain a conservative level of aggregate borrowings, with a long-term LTV target of 35% and a maximum of 40%.

Total Shareholder Return

The total shareholder return (see page 22 for definition) for the year to 31 December 2017 was -7.2%, this compared with 12.3% for the FTSE All-Share REIT Index.

Finance Team

We restructured the finance team during the year. While the size of the team is unchanged, eight of the 12 team members are new, including me as CFO. This has given the team a much greater skillset and much higher capability. I want to thank the team for their considerable efforts in recent months, which have proved invaluable as we have begun to transform the business.

Alternative Investment Fund Manager ("AIFM")

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

Lynne Fennah
Chief Financial Officer | 21 March 2018

KEY PERFORMANCE INDICATORS

Monitoring performance.

Key Performance Indicators

Total Shareholder Return ("TSR") | %

-7.2

2016[2] 1.1

Definition: the growth in share price plus dividends paid, as a percentage of the mid-market price at the start of the financial period.

NAV per share (basic) | p

104.37

2016[1] 105.9

Definition: the value of the Group's total assets less the book value of its liabilities attributable to shareholders divided by the number of shares in issue at the year end.

LTV ratio | %

32.9

2016[1] 31.1

Definition: the proportion of borrowings compared to Gross Asset Value (defined as total assets less current liabilities).

Dividend against target | p

5.55

2016[2] 3.05

Definition: dividends declared in respect of the financial period divided by the number of shares in issue at the year end.

Earnings per share (basic) | p

3.84

2016[2] 3.38

Definition: post-tax earnings generated that are attributable to shareholders, divided by the weighted average number of shares in issue in the period.

Adjusted earnings per share | p

1.86

2016[2] 0.72

Definition: post-tax adjusted earnings per share attributable to shareholders adjusted to include Licence fees, development rebates, rental guarantees and cumulative gains made on disposal of assets. For more information on the adjustments see page 86.

EPRA Performance Indicators

EPRA earnings (basic)
Earnings from operational activities.

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

	£m	p per share
2017	3.8	0.7
2016[2]	1.9	0.4

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

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

	£m	p per share
2017	630.0	104.5
2016[1]	532.1	106.2

EPRA NNNAV (basic)
EPRA NAV adjusted to include the fair values of:
(i) financial instruments;
(ii) debt; and
(iii) deferred taxes.

Purpose
Adjusts EPRA NAV to provide stakeholders with the most relevant information on the current fair value of all the assets and liabilities within a real estate company.

	£m	p per share
2017	617.9	102.5
2016[1]	519.6	103.7

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

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

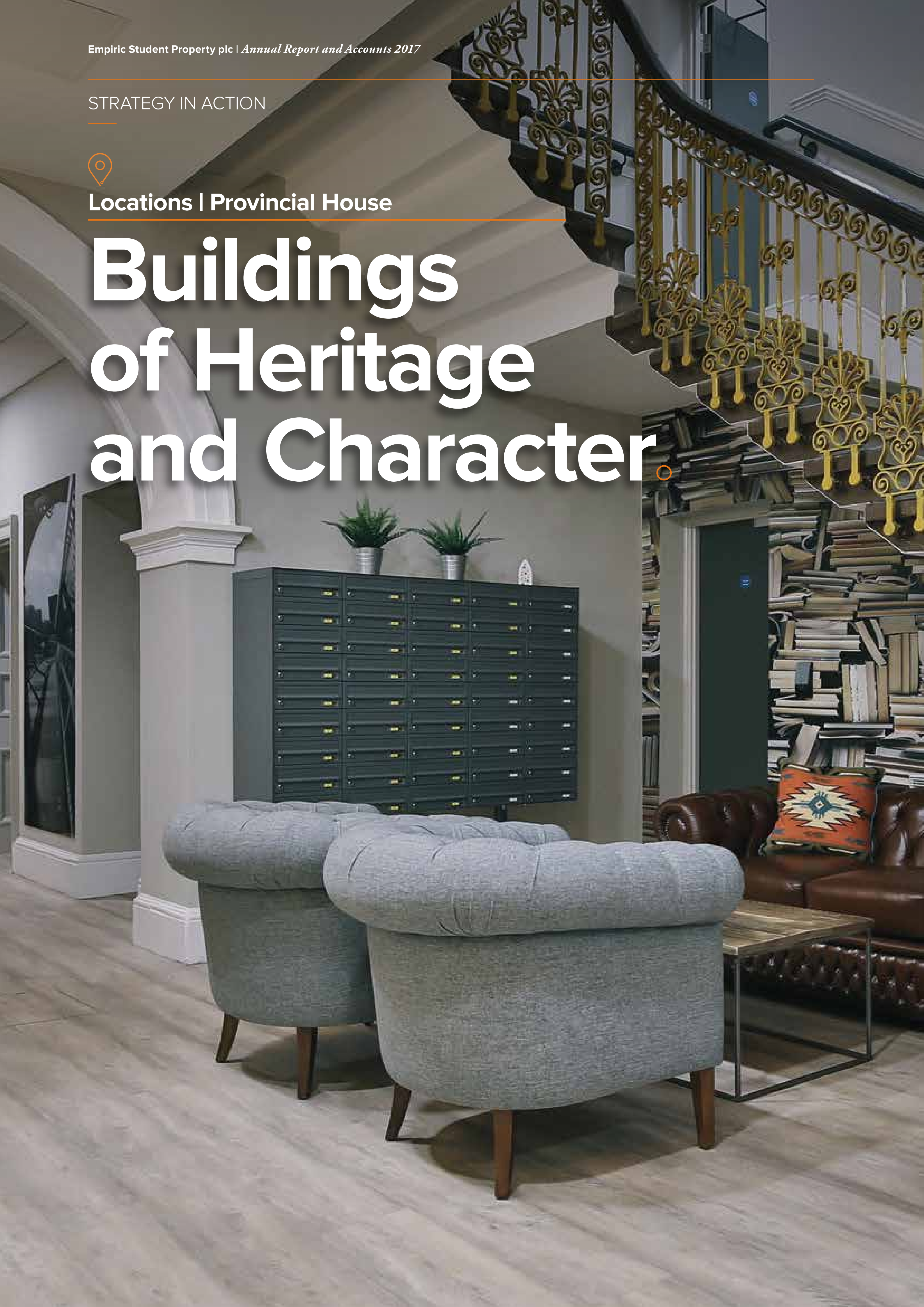
	%
2017	4.0
2016[1]	4.2

1 As at 31 December 2016
2 For the six-month period ending 31 December 2016

STRATEGY IN ACTION

Locations | Provincial House

Buildings of Heritage and Character



Provincial House

107 beds

Provincial House has a well-documented history as the Presbytery of St Vincent's Church.

Built in 1878 and paid for by the fifteenth Duke of Norfolk for £11,000, the building served as the Vincentian base in England. It was living quarters for 14 clergy, as well as providing a ground floor chapel, library and community rooms. It was sold as a business centre in 1983 and became disused, and was bought by Empiric in 2015.

The Grade II listed historic building with new extensions now comprises 107 studios and apartments of premium student accommodation, with a fully equipped on-site gym, a cinema, private study rooms and common rooms. Features such as the original staircase have been lovingly restored.

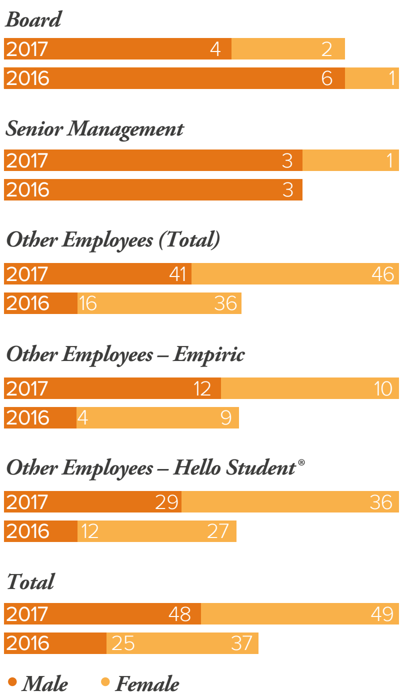
Provincial House is less than ten minutes' walk to the Information Commons building at the University of Sheffield. This Russell Group University reported almost 26,000 full-time students in 2016/17, amounting to growth of 15% since 2012/13 compared to the national average of 7%.

CORPORATE AND SOCIAL RESPONSIBILITY

We aim to be a responsible business, which looks after the interests of its stakeholders and society more broadly. In this section of the report, we provide more information on our employees, how we benefit our communities, our environmental performance and our approach to ethical business.

Acting responsibly.

Gender Diversity[1]



1 Above does not include Community Ambassadors due to the high turnover in staff levels.

People
Our people are crucial to our performance and we therefore need to have the right culture, objectives and performance management processes to help them thrive. More information about our activities in these areas can be found in the Chief Executive Officer's review on page 12.

We support the principle of diversity at all levels of the workplace and recognise its contribution to business success. At 31 December 2017, we employed 97 people[1], with a multitude of professional, educational, social and ethnic backgrounds.

The charts on the left show the gender diversity of our permanent employees at the year end.

Empiric has a good gender balance overall and the proportion of women on the Board and in senior management roles improved during the year.

Communities
One of the main ways in which we benefit the communities around our assets is by reducing pressure on local housing stock. Each PBSA asset frees up numerous houses, which would otherwise be occupied by students. This can make homes available for local families, with the added benefit for local businesses that the residents live there throughout the year, rather than just during university terms. Many local authorities therefore welcome PBSA developments and have also imposed Article 4 Directions, which control the redevelopment of residential housing into houses in multiple occupation.

In addition, local authorities may require us to support the community in other ways as a condition of obtaining planning permission for new developments. This can range from a financial contribution to the local authority to refurbishing community assets such as playing fields, to providing public art. These activities all make the community a better place to live.

Environment
The primary environmental impact of our properties comes from energy and water use by our student tenants. While our ability to directly influence their activities is limited, we look to reduce consumption through technologies such as panel heaters and ovens that automatically turn off periodically. When developing or redeveloping assets, we also look to ensure high standards of environmental performance, for example by conducting SAP/SBEM assessments for all new buildings, to measure energy performance in line with Government emissions targets, including features such as air source heat pumps and passive infra-red sensors for common area lighting.

In 2018, we will join the government's Energy Saving Opportunity Scheme, which will involve carrying out audits of our energy use to identify cost-effective energy saving measures.

Greenhouse Gas Emissions & EPRA Sustainability

This page sets out the information on greenhouse gas ("GHG") emissions required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 (the "Regulations"). We report this information in line with European Public Real Estate Association ("EPRA") sustainability best practice.

Headlines

- 12% reduction in like-for-like GHG emissions since 2016
- 4% reduction in like-for-like energy consumption since 2016
- Absolute figures have increased in line with business growth, as expected

Reporting Period

The reporting period is 1 January 2016 to 31 December 2017, comprising the period from the commencement of operations to the year end. Data for two years is shown to enable comparison.

Organisational Boundary

We use the operational control approach to consolidate our organisational boundary. The Group owns 100% of the property assets it operates and we have therefore reported on that basis. Like-for-like indicators include all the properties which have been in our portfolio since 1 January 2016, but not those which we acquired, sold or included in the development pipeline since that date.

Methodology

We used the EPRA Best Practices Recommendations on Sustainability Reporting (3rd Edition) and GHG Protocol Standard (revised edition) to prepare this disclosure and applied the UK Government Conversion Factors for Company Reporting to convert energy data into GHG emissions. We have reported whole-building data and have estimated any missing data using either direct comparison, pro rata calculation or based on an average consumption value per bed.

To express our GHG emissions in relation to our activities, we have chosen tCO_2e per operating bed as our intensity ratio, calculated using absolute data.

Exclusions

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

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

Greenhouse Gas

	EPRA Code	***2017***	*2016*
LIKE-FOR-LIKE:			
Total direct GHG emissions (tCO_2e)	GHG-Dir-LfL	***1,582***	*1,663*
Total indirect GHG emissions (tCO_2e)	GHG-Indir-LfL	***2,426***	*2,912*
ABSOLUTE:			
Total direct GHG emissions (tCO_2e)	GHG-Dir-Abs	***3,210***	*2,149*
Total indirect GHG emissions (tCO_2e)	GHG-Indir-Abs	***5,316***	*4,076*
NORMALISED:			
GHG intensity from building energy consumption (tCO_2e per operating bed)	GHG-Int	***1.09***	*0.96*

2017 – % of total assets included: LfL – 100%, Abs – 100%
2017 – % of data estimated: LfL – 9%, Abs – 22%

Energy

	EPRA Code	***2017***	*2016*
LIKE-FOR-LIKE:			
Total fuel consumption (kWh)	Elec-LfL	***8,587,756***	*9,040,551*
Total district heating & cooling consumption (kWh)	DH&C-Abs	***0***	*0*
Total electricity consumption (kWh)	Fuels-LfL	***6,900,493***	*7,066,457*
ABSOLUTE:			
Total fuel consumption (kWh)	Elec-Abs	***17,428,156***	*11,681,753*
Total district heating & cooling consumption (kWh)	DH&C-Abs	***0***	*0*
Total electricity consumption (kWh)	Fuels-Abs	***15,122,583***	*9,892,726*
NORMALISED:			
Building energy intensity (kWh per operating bed)	Energy-Int	***4,148.18***	*3,334.03*

2017 – % of total assets included: LfL – 100%, Abs – 100%
2017 – % of data estimated: LfL – 9%, Abs – 22%

Water

	EPRA Code	***2017***	*2016*
LIKE-FOR-LIKE:			
Total water consumption (m^3)	Water-LfL	***168,685***	*176,697*
ABSOLUTE:			
Total water consumption (m^3)	Water-Abs	***386,280***	*260,607*
NORMALISED:			
Building water intensity (m^3 per operating bed)	Water-Int	***49.23***	*40.27*

2017 – % of total assets included: LfL – 100%, Abs – 100%
2017 – % of data estimated: LfL – 69%, Abs – 79%

Ethical Business

We are committed to carrying out business fairly, honestly and openly. We have an anti-bribery policy, which mandates a zero tolerance approach. The policy is set out in our compliance manual, which is distributed to all our employees. Employees are required to attend regular compliance training and self-certify their adherence to our policies on an annual basis. The Group has whistleblowing procedures, allowing employees to report any suspected wrongdoing in confidence.

Modern Slavery and Human Rights

We recognise the importance of protecting human rights and preventing modern slavery but we do not believe these are material issues for our business.

Respecting human rights and preventing modern slavery in the supply chain is ultimately our suppliers' responsibility. As a customer, however, we can play an active role in supplier development. In general, our position is that the use of child labour, forced labour (including human trafficking), physical disciplinary abuse and any infraction of the law should be prohibited.

STRATEGY IN ACTION

Brand | Hello Student® Social Media

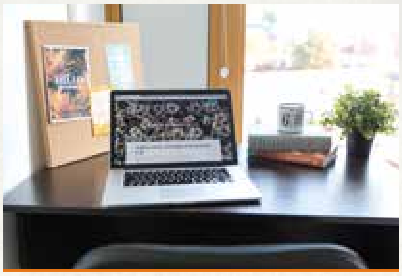
Investing in social media

4.4%

The proportion of users who click on our Facebook content, beating industry benchmarks of 0.1%

2.7%

The proportion of users who click on our Instagram content, beating industry benchmarks of 1.3%



Social Experience

Investing in social media has real business benefits for Empiric. It enables us to grow our audience of prospective residents and make them aware of what we have to offer.

Then, by taking the time to craft and implement strategies, we use social media to drive more bookings.

The Hello Student® social experience uses a mix of content strategies to reach our key objectives. One such strategy uses our imagery to increase awareness of our top-quality product and push users to book. This strategy saw our engagement rate – which is the proportion of users who click on our content hit 4.4% on Facebook and 2.7% on Instagram, beating industry benchmarks of 0.1% and 1.3% respectively.

Successes like this mean our social channels continue to be the biggest source of referrals to the Hello Student® website, showing social media's power to influence and drive sales.

INVESTMENT POLICY AND PORTFOLIO ANALYSIS

Empiric has a highly attractive and diverse portfolio of assets in 29 locations. They are smaller assets in prime locations, networked together for operational efficiency. Smaller assets build communities and help to create a rich sense of community for our customers.

Our assets.

Investment Policy

Empiric acquires, owns, leases, develops and manages student residential accommodation in the UK, across multiple formats. We let to students in higher education on direct tenancy agreements and on other longer-term lease arrangements, as appropriate. We invest in, and develop, modern student accommodation with a focus on quality, predominantly positioned in prime, city-centre locations in top university cities and towns around the UK, thereby benefiting from strong geographical risk diversification.

Our Investment Policy contains a number of restrictions, each of which we complied with during the year.

Restriction	*Complied*	*Comment*
The Group must generate income from no fewer than five separate buildings (excluding development and forward funded projects).	✓	The Group had 85 revenue generating assets at the year end.
No single asset will represent more than 20% of the Gross Asset Value ("GAV").	✓	The largest single asset represented 4.3% of the Group's GAV at 31 December 2017.
At least 90% of the properties directly and indirectly owned must be freehold or long leasehold properties (with at least 100 years remaining) or the equivalent.	✓	100% of the Group's properties are freehold or long leasehold.
A maximum of 15% of NAV may be committed to spend on the equity requirement for development projects, including conversions. All development projects will be conducted in special purpose vehicles ("SPVs") with no recourse to other Group assets.	✓	Commitments to development projects totalled 3.6% of the NAV at 31 December 2017. All development projects are conducted in SPVs with no recourse to other Group assets.
In respect of forward funded projects, the maximum exposure to any single developer will be limited to 20% of the Gross Asset Value.	✓	The maximum exposure to any single developer was 1% of GAV at 31 December 2017.
Rent from commercial leases is limited to 25% of the total rent receipts of any single building and aggregate commercial rents received is limited to 15% of the Group's total rent receipts.	✓	Commercial leases provide less than 25% of total rent at all of the Group's buildings and generated 3.4% of the Group's total rent receipts in 2017.

Asset Acquisitions in 2017

Details of the standing assets, forward funded developments and development projects we acquired during 2017 are set out in the table below:

Name	*Location*	*Number of Beds*	*Date of Acquisition*	*Price Paid or Total Investment to Completion (£m)*	*Estimated Completion Date*	*Net Initial Yield (%)*
STANDING ASSETS						
Franciscan International Study Centre (FISC)[1]	Canterbury	*47*	*July 2017*	*5.8*	*N/A*	*7.5*
South Bridge	Edinburgh	*64*	*December 2017*	*7.2*	*N/A*	*5.8*
Hahnemann Building	Liverpool	*98*	*August 2017*	*10.8*	*N/A*	*6.1*
Foss Studios	York	*220*	*January 2017*	*23.3*	*N/A*	*5.6*
FORWARD FUNDED PROJECTS						
Percy's Lane	York	*106*	*January 2017*	*9.3*	*September 2018*	*N/A*
DEVELOPMENT PROJECT						
St Mary's Hospital	Bristol	*153*	*August 2017*	*8.1*	*September 2019*	*N/A*
Total		***688***		***64.5***		

1 Includes a development site with the potential for a further 124 beds subject to planning, giving a total of 171 beds.

Development Projects

During the year, development and forward funded projects were due to be completed as set out below:

Name	*Location*	*Number of Beds*	*Completion Date*
FORWARD FUNDED PROJECTS			
Clifton Place (formerly Bonhay Road)	Exeter	*150*	*August 2017*
155 George Street	Glasgow	*89*	*June 2017*
134 New Walk	Leicester	*16*	*April 2017*
The Chapel	Manchester	*87*	*July 2017*
The Frontage	Nottingham	*162*	*May 2017*
Europa House	Portsmouth	*242*	*August 2017*
Trippet Lane[1]	Sheffield	*63*	*estimated April 2018*
Samuel Tuke (formerly Lawrence Street)	York	*115*	*June 2017*
DEVELOPMENT PROJECT			
Provincial House	Sheffield	*107*	*September 2017*
Total		***1,031***	

1 Trippet Lane was subject to a rental guarantee for the 2017/18 academic year.

At 31 December 2017, the Group had the following forward funded projects and development projects in progress. Four are due to complete for the 2018/19 academic year, with three for later years.

Name	*Location*	*Number of Beds*	*Estimated Completion / Operational Date*
FORWARD FUNDED PROJECTS			
The Emporium	Birmingham	*185*	*September 2018*
Princess Road	Leicester	*110*	*September 2018*
Percy's Lane	York	*106*	*September 2018*
DEVELOPMENT PROJECTS			
St Mary's Hospital[1]	Bristol	*153*	*September 2020*
		554	
Projects and Sites Acquired Subject to Conditions			
140-142 New Walk	Leicester	*52*	*September 2018*
Ocean Bowl	Falmouth	*190*	*September 2019*
King's Stables Road	Edinburgh	*166*	*January 2018*
Total		***408***	

1 Planning permission had not been received at 31 December 2017.

INVESTMENT POLICY AND PORTFOLIO ANALYSIS | CONTINUED

Operating and Revenue Producing Assets

The table below shows the 85 assets that were either operating or income producing at the year end.

Name	*Location*	*Number of Beds*	*Date of Acquisition or Practical Completion*	*Purchase Price (£m)*	*Net Yield on Acquisition or Cost*	*Valuation Yield*
Centro Court	Aberdeen	*56*	*September 2014*	*6.5*	*6.8%*	*6.3%*
St Peter Studios	Aberdeen	*123*	*June 2016*	*13.7*	*7.0%*	*6.1%*
Canal Bridge	Bath	*20*	*November 2015*	*1.7*	*5.9%*	*5.3%*
James House	Bath	*169*	*September 2016*	*25.0*	*5.7%*	*5.0%*
Piccadilly Place	Bath	*47*	*November 2015*	*3.6*	*5.9%*	*5.3%*
Radway House	Bath	*31*	*July 2016*	*2.6*	*6.7%*	*6.3%*
The Exchange	Bath	*78*	*December 2016*	*7.7*	*5.8%*	*5.1%*
Widcombe Wharf	Bath	*40*	*November 2015*	*3.9*	*5.5%*	*5.1%*
Edge Apartments	Birmingham	*77*	*August 2014*	*8.9*	*7.0%*	*5.7%*
The Brook	Birmingham	*106*	*July 2014*	*12.0*	*6.5%*	*5.8%*
College Green[1]	Bristol	*84*	*July 2014*	*10.0*	*6.7%*	*5.5%*
William & Matthew House	Bristol	*75*	*September 2016*	*7.9*	*6.7%*	*5.5%*
FISC[2]	Canterbury	*47*	*July 2017*	*5.8*	*7.5%*[2]	*2.4%*
Pavilion Court	Canterbury	*79*	*August 2016*	*9.2*	*6.0%*	*6.0%*
Alwyn Court	Cardiff	*51*	*October 2014*	*3.5*	*6.4%*	*5.9%*
Northgate House	Cardiff	*67*	*February 2015*	*5.2*	*7.0%*	*5.8%*
Summit House	Cardiff	*87*	*July 2014*	*9.6*	*7.0%*	*5.8%*
Windsor House	Cardiff	*314*	*September 2016*	*41.0*	*5.6%*	*5.6%*
St Margaret's Flats	Durham	*109*	*May 2015*	*5.1*	*7.5%*	*6.3%*
Buccleuch St	Edinburgh	*88*	*June 2016*	*9.2*	*8.1%*	*5.2%*
South Bridge	Edinburgh	*64*	*December 2017*	*7.2*	*5.8%*	*6.0%*
Bishop Blackall School	Exeter	*113*	*October 2016*	*8.0*	*6.0%*	*5.8%*
Clifton Road (Bonhay)	Exeter	*150*	*September 2015*	*12.6*	*7.1%*	*5.8%*
Dean Clarke Lofts[3]	Exeter	*30*	*December 2014*	*4.5*	*6.6%*	*5.7%*
Isca Lofts	Exeter	*71*	*August 2016*	*4.7*	*6.9%*	*6.3%*
Library Lofts	Exeter	*61*	*September 2015*	*6.1*	*6.3%*	*5.7%*
Picturehouse Apartments	Exeter	*102*	*July 2014*	*11.4*	*6.3%*	*5.6%*
Maritime Studios	Falmouth	*142*	*August 2015*	*8.8*	*6.5%*	*6.0%*
155 George Street	Glasgow	*89*	*November 2015*	*9.5*	*6.7%*	*6.0%*
333 Bath Street	Glasgow	*70*	*September 2015*	*7.4*	*6.5%*	*6.0%*
Ballet School	Glasgow	*103*	*March 2015*	*11.9*	*6.7%*	*6.1%*
Willowbank[4]	Glasgow	*178*	*September 2016*	*6.9*	*7.7%*	*6.0%*
Curzon Point[5]	Hatfield	*116*	*December 2014*	*9.2*	*6.4%*	*5.8%*
Kingsmill Studios	Huddersfield	*98*	*September 2015*	*7.5*	*7.5%*	*6.1%*
Oldgate House	Huddersfield	*179*	*September 2016*	*11.1*	*8.3%*	*6.1%*
77 Penny Street (CityBlock 1)	Lancaster	*30*	*May 2015*	*2.1*	*6.1%*	*5.9%*
99 Penny Street (CityBlock 2)	Lancaster	*77*	*May 2015*	*5.6*	*6.1%*	*5.9%*
Victoria Court (CityBlock 3)	Lancaster	*100*	*May 2015*	*7.9*	*6.1%*	*5.9%*
Algernon Firth	Leeds	*111*	*January 2015*	*7.2*	*6.6%*	*5.7%*
Pennine House	Leeds	*127*	*June 2016*	*17.8*	*6.6%*	*5.8%*
St Mark's Court	Leeds	*85*	*March 2015*	*7.1*	*6.0%*	*5.8%*
134 New Walk	Leicester	*16*	*November 2016*	*1.5*	*7.5%*	*6.0%*
136-138 New Walk	Leicester	*30*	*May 2016*	*2.9*	*6.0%*	*6.0%*
160 Upper New Walk	Leicester	*17*	*May 2016*	*1.6*	*6.1%*	*6.0%*
Bede Park	Leicester	*59*	*May 2016*	*4.5*	*6.2%*	*5.8%*
Applegate 1 (CityBlock 2)	Leicester	*76*	*May 2015*	*4.8*	*6.3%*	*6.0%*
Applegate 2 (CityBlock 1)	Leicester	*98*	*May 2015*	*6.2*	*6.3%*	*6.0%*
The Hosiery Factory	Leicester	*107*	*October 2016*	*5.6*	*6.3%*	*6.0%*
The Shoe & Boot Factory	Leicester	*173*	*October 2016*	*8.9*	*6.3%*	*6.0%*

Name	Location	Number of Beds	Date of Acquisition or Practical Completion	Purchase Price (£m)	Net Yield on Acquisition or Cost	Valuation Yield
Art School Lofts	Liverpool	64	June 2015	8.4	6.3%	6.0%
Chatham Lodge	Liverpool	50	June 2015	3.9	6.5%	6.2%
Grove Street Studios	Liverpool	28	June 2015	2.7	6.5%	6.2%
Hayward House	Liverpool	74	June 2015	5.4	6.3%	6.0%
Hahnemann Building	Liverpool	98	August 2017	10.8	6.1%	6.1%
Maple House	Liverpool	147	June 2015	12.9	6.3%	6.0%
The Octagon	Liverpool	19	June 2015	2.0	6.4%	6.2%
Francis Gardner Hall	London	70	August 2016	10.6	5.5%	4.7%
Grosvenor Hall	London	72	August 2016	6.2	6.3%	5.7%
Halsmere Studios	London	79	February 2015	13.3	6.4%	5.0%
The Chapel	Manchester	87	May 2015	8.8	7.3%	5.5%
Ladybarn House	Manchester	117	March 2016	10.3	6.3%	5.9%
Victoria Point 1, 2, 3(6), 4(6), 5 and 6	Manchester	397	April 2016	29.5	5.6%	5.8%
Claremont House	Newcastle	89	December 2016	10.9	6.3%	5.7%
Metrovick House	Newcastle	63	May 2016	7.4	6.5%	5.8%
The Frontage	Nottingham	162	October 2015	16.8	7.2%	5.6%
Talbot Point	Nottingham	77	September 2016	6.0	7.0%	5.7%
Talbot Studios	Nottingham	98	September 2014	8.2	6.9%	5.7%
Stone Mason House	Oxford	44	May 2016	4.5	5.1%	5.0%
Elm Grove Library	Portsmouth	19	October 2016	1.1	6.5%	6.1%
Europa House	Portsmouth	242	April 2016	20.3	7.7%	6.0%
Kingsway House	Portsmouth	52	October 2016	3.1	6.4%	6.1%
The Registry	Portsmouth	41	August 2015	4.5	6.5%	6.1%
Saxon Court	Reading	83	March 2016	13.0	6.0%	5.7%
Portobello House	Sheffield	134	September 2016	11.2	7.1%	5.8%
Provincial House	Sheffield	107	December 2015	10.8	7.1%	6.0%
Trippet Lane(7)	Sheffield	63	April 2016	5.5	7.6%	6.0%
Brunswick Apartments	Southampton	173	September 2015	16.7	7.2%	5.8%
London Road	Southampton	46	November 2014	3.6	7.0%	5.9%
Ayton House	St Andrews	233	December 2015	26.0	5.5%	5.5%
Caledonia Mill	Stoke-on-Trent	120	June 2015	6.3	6.5%	6.1%
Foss Studios	York	220	January 2017	23.3	5.7%	5.7%
Samuel Tuke (Lawrence Street)	York	115	March 2016	11.1	7.1%	5.7%
Total/average yield		**7,903**		**737.7**	**6.7%**	**5.7%**

Post Year End

Name	Location	Number of Beds	Date of Acquisition or Practical Completion	Purchase Price (£m)	Net Yield on Acquisition or Cost
Emily Davies	Southampton	240	February 2018	10.6	7.8%

(1) 150-year lease, started in August 2010.
(2) Rising due to development (171) subject to planning. Yield on cost is for 171 beds whereas valuation yield is based on 47 beds.
(3) 999-year lease, started in March 2014.
(4) On 31 March 2017, the Group acquired Revcap's 50% interest in the joint venture.
(5) 199-year lease, started in December 2014.
(6) Victoria Point comprises six separate assets. VP 3 and 4 (comprising 169 beds) were being significantly refurbished in 2017 and were not operational or revenue generating for the 2017/18 academic year.
(7) Trippet Lane was subject to a rental guarantee for the 2017/18 academic year.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board has overall responsibility for Empiric's risk management and internal controls.

Approach to Managing Risk.

The Group's risk management process is designed to identify, evaluate and mitigate (rather than eliminate) the significant risks we face. The process can therefore only provide reasonable, rather than absolute, assurance. We outsource certain services to our administrator, FIM Capital Limited (the "Administrator"), and other service providers, and rely to an extent on their systems and controls.

The Audit Committee formally reviews the effectiveness of our risk management processes and internal control systems, on the Board's behalf. During the course of these reviews, the Board has not identified or been advised of any material failings or weaknesses.

Changes to Risks During the Year
The principal risks and uncertainties we face changed during the year, as we encountered new challenges.

The Board considered that there was one new risk which presented itself this year. This is a risk around property costs, which is discussed further in Risk 13.

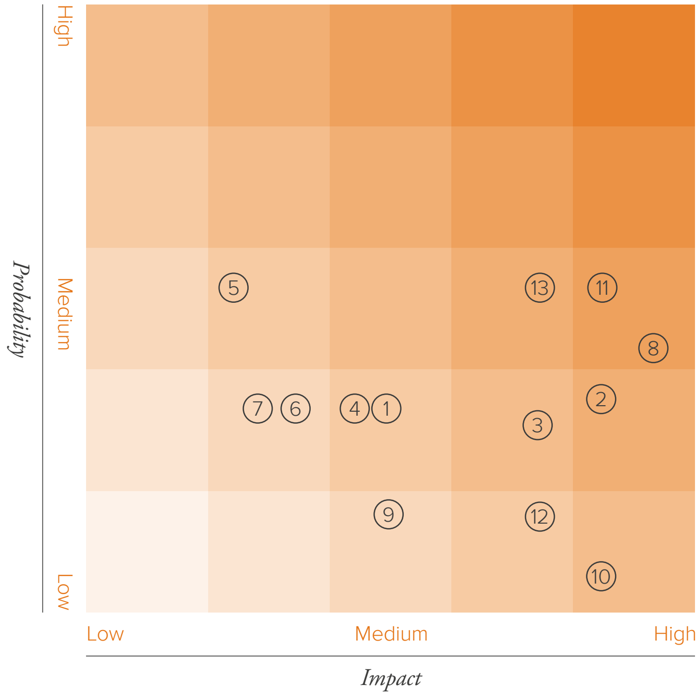
Risk 11 increased during 2017, due to lower occupancy in some cities, as detailed on page 20. The Board has also merged Risk 11 with the Hello Student® occupancy risk set out in the last Annual Report, as all the properties are being brought onto the Hello Student® platform in 2018.

Risk 8 increased during the year, due to the changes in the Executive Directors and their responsibilities, as explained in the Chairman's Statement on page 4.

The Board has also amalgamated some risk categories during the year, so they more accurately reflect the principal risks we face. The two development risks described in the 2016 annual report have been combined into a single risk (Risk 5), and the Health and Safety and Laws and Regulations risks are now expressed in a single operational risk (Risk 9).

Finally, the Board considers that commercial revenue is no longer a principal risk, due to its immaterial impact on the Group's financial statements and the low likelihood of occurrence.

Principal Risks
The principal risks and uncertainties we face have the potential to materially affect our business, either favourably or unfavourably. Some risks may be unknown to us at present, and some risks that we currently regard as immaterial, and have therefore not included here, may become material in the future.



Strategic risks
1 2

Investment risks
3 4

Development risk
5

Funding risks
6 7

People risk
8

Operational risks
9 10 11 12 13

Risk	*Impact*	*Mitigation*
Strategic risks		
1 **We will continue to focus exclusively on the student accommodation sector. We will, therefore, rely on the development of the higher education market in the UK generally, or in specific regions, including any change in demand from international students.**	An adverse change in the higher education market could reduce student numbers and demand for student accommodation, either across the UK or in specific regions. This, in turn, could reduce our rental income and the value of all, or a significant proportion of, our portfolio.	We constantly monitor government policy and its actual or potential impact on UK, EU and international student numbers studying in the UK. We pay particular attention to proposals relating to the UK's exit from the EU and how these affect the UK as a whole and specific regions, such as Scotland. We acquire or develop assets serving leading university cities and towns. The properties are well located and we believe maintaining competitive rental levels should ensure high occupancy levels across the portfolio, during periods of weaker demand. Our strategy allows us to diversify across several niches, giving us an offer that appeals to a broad range of students, from first years to post-graduates. We also seek to ensure that our developments and, where possible, acquisitions of standing assets, are fit for alternative use such as private residential, subject to planning.
2 **We face competition from a number of UK and international property investors, both existing and new, which may have larger financial resources and/or be targeting lower investment returns.**	Increased competition may lead to an oversupply of rooms through overdevelopment, to inflated prices for existing properties or development land, or reduce the rents we can achieve.	The UK's full-time student population was 1.8 million for the 2016/17 academic year. We are focused on the cities and towns with high-quality and growing higher education institutions and where our research indicates that there is a significant under supply of PBSA. Our assets are in prime locations, in varying formats and at different price points. In times of reduced demand, they should be more attractive to potential customers than the competition, at the right price.

PRINCIPAL RISKS AND UNCERTAINTIES | CONTINUED

Risk	*Impact*	*Mitigation*
Investment risks		
3 **The performance of our portfolio depends on general property and investment market conditions.** **There remains uncertainty in the property market following the result of the EU referendum in June 2016, which could prevail until Brexit negotiations are concluded and beyond, depending on the outcome of the negotiations.** **If market conditions deteriorate and, as a result, the value of our assets falls, our NAV will reduce. Furthermore, our borrowings contain Loan to value ("LTV") covenants.**	Market conditions may reduce our revenues, which may affect our ability to make distributions to shareholders. A fall in property valuations may lead to the Group breaching its banking covenants.	Our assets are in multiple prime locations, diversifying the risk of adverse changes to the portfolio. Our Investment Policy contains a prudent borrowing limit of 40% of our Gross Asset Value, with a target of 35%. We regularly review property market conditions and would take action, should it look like any property used as collateral had decreased in value to the extent that there was a risk that we might breach any of our LTV covenants. The LTV covenants have been negotiated to be as flexible as possible. In addition, international students pay in advance, meaning we maintain substantial cash balances on account. The student property sector has demonstrated considerable robustness, underpinned by the supply and demand imbalance. Nevertheless, we do not overstretch annual rent increases, which we vary according to the local market conditions for each area or building. EU students are only 7% of all full-time students in the UK. With the high number of other international students applying to study in the UK, the higher education sector is not reliant on students from the EU.
4 **Our ability to achieve our investment objective depends on both the rental income we receive and the appreciation in property values.**	Rental income and property values may be affected by increased supply of student accommodation, failure to collect rents, increasing costs or any deterioration in the quality of our properties.	Our portfolio is geographically diversified and where there is more than one property serving a town or university, the total number of beds equates to no more than 5% of the location's full-time student population. We are not therefore unduly exposed to any one student market. Each operational property is managed either directly by Hello Student® or by reputable property management companies. Our Operations Director liaises with the property managers, to ensure rent is collected on time (usually in advance at the start of an academic year), that the properties are well maintained and the desired level of customer service is provided.

Risk		*Impact*	*Mitigation*
Development Risk			
5	**Our development activities are likely to involve more risk than operating our properties. This includes general construction risks such as delays, late delivery, developments not being completed (while associated costs are still incurred) or changes in market conditions, which could result in completed developments having substantial vacancies.**	Any of the risks associated with our development activities could reduce the value of our assets. A delay in constructing assets under development could result in one or more of the assets not being delivered in time for the start of the academic year, with a resultant impact on occupancy and revenue.	Our Investment Policy only allows us to commit up to 15% of NAV to expenditure on development (excluding the cost of the land or property to be developed). Since IPO, we have undertaken a greater proportion of our development activities through forward funded projects, rather than by direct development. Forward funding projects reduces the risk to us, as the developer takes on the construction risk and the risk of cost over-runs. These projects also generally benefit from a rental guarantee for the first year of operations, if the asset is not delivered in time for the start of the academic year. For assets we develop directly, we put in place suitable contingencies, insurance cover and other arrangements with the responsible contractor or sub-contractor, to cover the impact of any delay. Our development activities span a range of towns and cities and there is little or no overlap in the developers acting on these projects (with the maximum exposure to any one developer restricted to 20% of GAV for forward funded projects), further reducing the impact of any delays or changes in market conditions.
Funding Risks			
6	**Our strategy allows us to take on debt with variable interest rates. We may therefore hedge or partly hedge our interest rate exposure. However, this might not be sufficient to protect us from adverse movements in interest rates.**	Increases in interest payable would reduce our profitability.	At 31 December, the Group had committed debt facilities of £390 million, of which £191.1 million was at fixed interest rates. Of the £198.9 million of facilities with floating rates, £35.5 million was subject to interest rate caps or swaps.
7	**The Group may not be able to secure further debt on acceptable terms.**	Without the continued availability of debt on acceptable terms, we may be unable to progress investment opportunities as they arise and continue to grow the Group, in line with the long-term strategy.	During the year, we agreed a new term loan of £10 million, a new revolving credit facility of £70 million and extended the terms of two existing facilities. At the year end, our debt had a weighted average term of 6.7 years and the headroom in our facilities was £86.2 million.
People Risk			
8	**Our ability to achieve our investment objective depends on the performance of the Executive Directors, which cannot be guaranteed.** **As a result, our performance will, to a large extent, depend on our ability to align the incentives of the Executive Directors to shareholders' interests, retain key staff and/or recruit people of the right calibre and experience.**	The Executive Directors' failure to acquire and manage assets effectively could materially affect our profitability, NAV and share price. Similarly, the departure of an Executive Director or member of senior staff, and either a delay or failure in recruiting a suitable replacement, could affect the Group's performance.	As a result of poor performance, the previous CFO resigned and the CEO was served notice. See page 5 for more detail. The Board appointed a new and experienced CFO during the year, to improve the performance of the Executive Directors. There is also a new division of roles within the Executive team to improve performance, which is detailed further on page 5.

PRINCIPAL RISKS AND UNCERTAINTIES | CONTINUED

Operational Risks

Risk	Impact	Mitigation
9 **Our operations, including our development activities, are subject to laws and regulations enacted by national and local government.** **Our ability to respond and adapt to the changing planning and regulatory environment is key to our future business performance.** **We need to comply with health and safety laws and regulations, to protect the health and wellbeing of our employees, contractors, customers and the general public.**	Failing to comply with laws or regulations may affect our ability to deliver or acquire further buildings, or result in one or more existing buildings being temporarily or permanently closed, which may have a material adverse effect on our performance. Any change in the laws or regulations relating to our operations or development activities may have a material adverse impact on our ability to implement our Investment Policy and our returns to shareholders. A serious health and safety incident could result in criminal or civil proceedings and severely damage our reputation. It could also lead to delays in development projects.	Our investment team has significant experience and, together with its advisers, closely monitors the planning environment both nationally and in our target markets. The Executive Directors are ultimately responsible for ensuring that planning submissions are well prepared, address local concerns and demonstrate good design, and that all our buildings comply with building regulations, are sustainable and environmentally efficient. For health and safety, we undertake landlord risk assessments for every property prior to occupation. In addition, all our student property is insured as occupied residential property, our property managers receive training to minimise the risk of a health and safety incident occurring, and our buildings are inspected on a sample basis, as part of our ANUK accreditation.
10 **The Company operates as a UK REIT and has a tax-efficient corporate structure, which benefits UK shareholders. Any change to our tax status, UK tax legislation or interpretation of that legislation could affect our ability to achieve our investment objective or provide favourable returns to shareholders.**	If we fail to remain a REIT for UK tax purposes, our profits and gains will be subject to UK Corporation Tax.	The Board is responsible for ensuring we adhere to the UK REIT regime. It monitors the compliance reports provided by the Executive Directors on potential transactions, the Administrator's reports on asset levels and our registrar and broker's reports on shareholdings. Our Head of Compliance provides internal compliance support. In addition, Ernst & Young LLP provides REIT compliance monitoring services and Portman Compliance Consulting LLP assists us with compliance matters.
11 **We may not be able to maintain the occupancy rates of our properties or any other properties we acquire.**	If we cannot maintain attractive occupancy levels (or maintain them on economically favourable terms), there may be a material adverse effect on our profitability, NAV and share price.	Following the shortfall in occupancy in 2017, we have introduced a rigorous focus on revenue management, including bringing all the properties currently managed by third parties onto the Hello Student® platform for the 2018/19 academic year. This gives us full control over marketing and student interaction, and provides live data across the portfolio, so we can respond rapidly to changes in the market and drive occupancy and revenue.

Risk		*Impact*	*Mitigation*
12	**We collect and retain information in computer systems regarding our business dealings, our customers and our suppliers. Securely processing, maintaining and transmitting this information is critical to our business and we must comply with restrictions on the handling of sensitive information (including employee and customer information).**	A major information security breach could have a significant impact on our reputation and could result in the loss of business-critical information. This in turn could affect our ability to do business or result in fines or compensation, reducing our profitability.	Our networks are protected by firewalls and anti-virus protection systems, with back-up procedures also in place. We have retained a specialist information technology consultancy to enhance our controls and optimise our systems design, to minimise the risk of hacking. This is particularly critical as we expand our portfolio and our operational capabilities, to ensure our investment in computer systems aligns with our overall business strategy, is cost-effective and designed to reduce as far as possible the risk of security breaches. All staff are given appropriate training to identify emails and other communications that could result in a security breach.
13	**Our operations and management of cost bases are currently reliant on a number of third party property managers. As a result there is a risk that we may not be able to have full control over our cost base.**	A lack of direct oversight could mean that the Group is not minimising its cost base and in turn is not maximising its profitability.	We undertake rigorous analysis of our cost base on a monthly basis, with input from finance, operations and asset management. In addition, there is a concerted effort to bring the facilities management of the Group in house. This is detailed on page 18.

BOARD OF DIRECTORS



	Brenda Dean *The Rt Hon the Baroness of Thornton-le-Fylde* *Chairman*[1]	**Tim Attlee** *Acting Chief Executive Officer*	**Lynne Fennah** *Chief Financial Officer*
Appointed	28 May 2014	11 February 2014	26 June 2017
Independent	Yes	No	No
Committee memberships	N (Chairman) R	N	None
Relevant skills and experience	• Significant leadership experience as non-executive director and chairman of a number of public companies and member of numerous public bodies • Insight into both the higher education and real estate sectors	• Developing and investing in student accommodation since 2008 • Chartered surveyor • Experience in all aspects of real estate general practice • Emphasis on institutional investment and property development	• Chartered accountant, having qualified with Moore Stephens • Significant senior experience in the real estate and hospitality sectors, covering key areas such as finance, operations, tax, regulatory compliance, HR and IT
Principal external appointments/ Principal responsibilities	• Chairman – Residential Secure Income Plc • Member of Council – Nottingham University • Non-executive director – Business and Oversight Committee of the Law Society	• Ensuring implementation of Board strategy and delivery of stated goals • Reviewing ongoing appointments of the Company's advisers and service providers • Communicating with shareholders and potential investors • Primary responsibility for acquisitions and developments in Empiric's property portfolio • Progression of investment opportunities from identification, due diligence and deal negotiation, to Board approval and execution • Overseeing progress of assets under development	• Leading, mentoring and inspiring the Finance team • Producing timely and accurate financial information and results • Reviewing and interpret financial data to identify key performance drivers • Ensuring the financial control environment is strong • Raising debt finance and maintain relationships with banks • Ensuring tax, regulatory and company secretarial compliance • Overseeing Operations, HR and IT • Leading the in-sourcing of externally managed services • Communicating with shareholders and potential investors
Significant previous external experience	• Non-executive director – Taylor Wimpey plc • Chairman – Covent Garden Market Authority • Chairman – Housing Corporation (now the Homes and Communities Agency) • Member – National Committee of Enquiry into the Future of Higher Education (the Dearing Committee) • Member of Council – City University, Open University and London School of Economics • Non-executive partnership director – National Air Traffic Services	• Experienced developer in various property sectors including student, up-market residential, medical and educational turn-key buildings and commercial offices • Knight Frank – Managing Partner, Botswana • Founder of London Cornwall Property Partners Ltd	• CFO of Palmer Capital Partners • European CFO of TOGA Group • Various senior roles including Group Financial and IT Director of The Goodwood Estate Company Limited

1 Brenda Dean died on 13 March 2018. Stuart Beevor became acting Chairman from 14 March 2018.

Committees

N Nominations Committee A Audit Committee R Remuneration Committee

Jim Prower

Senior Independent Non-Executive Director

28 May 2014

Yes

A (Chairman) R

- A chartered accountant, having trained and qualified at Peat, Marwick, Mitchell & Co, London
- In-depth knowledge of financial matters, particularly in relation to the real estate sector through his previous role as finance director at the Argent Group, which is undertaking the development of King's Cross Central
- Experienced in raising debt financing for development, investment and working capital
- Has worked in the property sector since 1987

- Senior independent director and chairman of Audit Committee – Tritax Big Box REIT plc
- Non-executive director and Chairman of Audit Committee – AEW UK Long Lease REIT plc

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

Stephen Alston

Non-Executive Director

28 May 2014

No

N A

- Over 25 years' experience in structuring investment, development and planning deals, as both lender and financial equity partner
- Member – Association of Property Lenders

- Partner – Real Estate Venture Capital Management LLP

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

Stuart Beevor

Acting Chairman[1]

1 January 2016

Yes

R (Chairman) A

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

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

- Managing director – Grosvenor Fund Management
- Non-executive director and Chairman of Remuneration Committee – The Unite Group plc
- Managing director – Legal & General Property Limited

CORPORATE GOVERNANCE REPORT

Chairman's Introduction to Corporate Governance

The Board recognises the critical importance of strong corporate governance and its contribution to the Company's long-term success. This has been a challenging period for Empiric but the Board has demonstrated its ability to take difficult decisions, with the Executive and Non-Executive Directors working together to agree actions which we believe are in the best interests of all of the shareholders.

In addition to the Board's standing agenda, which is described on page 44, the Board spent considerable time reviewing, challenging and approving management's plan for transforming Empiric's operational performance; agreeing appropriate new target dividends for the second half of 2017 and for 2018; and determining necessary changes to the Company's leadership. Since the end of the financial year, the Board has also approved the decisions to take facilities management in-house and to bring the remaining properties managed by third parties onto the Hello Student® platform, as set out on page 18.

Our ability to take decisions such as these has been helped by enhanced information flow to the Board, following Lynne Fennah's appointment as CFO. In particular, improvements to the Group's forecasting provide greater clarity about the likely impact of the choices we face.

As I noted in my statement on pages 4 and 5, in January 2018 the Board commissioned another external evaluation of its performance, with the results reported to the Board on 27 February 2018. I am pleased to report that this showed the Board and its committees are functioning effectively, while at the same time highlighting areas for improvement in the coming year. More information can be found on page 46.

On 11 December 2017 the Company served notice on Paul Hadaway as Chief Executive Officer. See the Remuneration Committee Report for further details on page 53.

Statement of Compliance

Our commitment to strong governance means we look to comply in full with the provisions of the 2016 UK Corporate Governance Code ("the Code"), which apply to companies of our size. During 2017, Empiric was in full compliance with the Code, except there is not a majority of independent Non Executive Directors on the Nominations Committee, which the Board is seeking to address. A copy of the Code can be obtained from the Financial Reporting Council's website, www.frc.org.uk.

Other Key Statements

The Directors confirm that to the best of our knowledge:

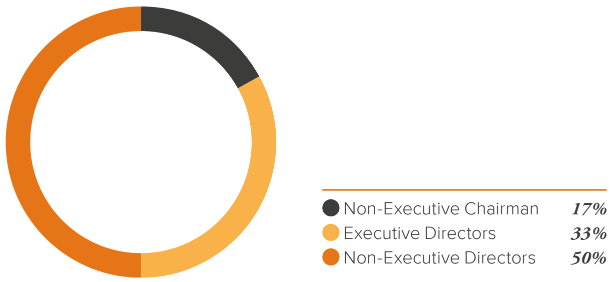
- The Company is well placed to manage its financing and other business risks. The Board is therefore of the opinion that it is appropriate to adopt the going concern basis of accounting in preparing the Annual Report (see page 47 for more information).
- The Strategic Report, which the Board has approved, includes a review of the performance of the Group taken as a whole, together with a description of the principal risks and the uncertainties they face.
- 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 2020. Further details are set out in the Viability Statement on page 47 and in the Principal Risks and Uncertainties section on pages 34 to 39.
- The Company has a continuing process for identifying, evaluating and managing the risks it faces. Further details are set out on page 34.
- 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 34 to 39.
- The Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. See page 64 for further information.

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

Statement made prior to her death and approved by the Acting Chairman below:

Stuart Beevor
Acting Chairman | 21 March 2018

by composition



by gender

LEADERSHIP

The Board

The Board's principal responsibility is to promote the Company's long-term success. The Board leads and provides direction for the Executive Directors, by setting our investment objectives and Investment Policy and overseeing its implementation. The Executive Directors are principally responsible for managing our investment activities and operations on a day-to-day basis.

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

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

In addition, the Board review the continuing appointment of our key service providers, to ensure that terms remain competitive and in the best interests of shareholders. The Executive Directors keep the contracts of our corporate advisers under review and report their recommendations for changes to the Board, as and when necessary.

The Board delegates appropriate matters to the committees and reviews their terms of reference at least every two years. Copies of the committees' terms of references are available from the Company Secretary or the Company's website, www.empiric.co.uk.

Board Composition

The Board consists of two Executive Directors and four Non-Executive Directors, including the Chairman. Changes to Board membership during the year are discussed in the Chairman's Statement on page 4 of the Strategic Report. Biographical information on each of the Directors is set out on pages 40 and 41.

Board Roles

There is a clear division of responsibility between the Chairman and Chief Executive Officer ("CEO"). Their roles have been set out in writing and agreed by the Board.

In summary, the Chairman is responsible for leading the Board and ensuring it operates effectively, by promoting an open and constructive environment in the boardroom and actively inviting all the Directors' views. The Acting CEO leads our management team and his main responsibilities are listed in Tim Attlee's biography on page 40.

Jim Prower is the Senior Independent Director. He acts as a sounding board for the Chairman and as an intermediary for the other Directors, if necessary. He is also available to shareholders, if they have concerns which they cannot resolve through other channels.

Director Independence

Each year, the Board reviews the independence of the Chairman and the Non-Executive Directors. Except Stephen Alston, all of the Non-Executive Directors, including the Chairman, are considered to be independent for the purposes of the Code. Brenda Dean also met the independence criteria on her appointment as Chairman.

Stephen Alston is a partner of Real Estate Venture Capital Management LLP ("Revcap"), which is the Group's former joint venture partner. The Group acquired Revcap's holding in the Willowbank joint venture on 31 March 2017 and paid fees to Revcap up to 30 June 2017. While there is no longer a business relationship between the Group and Revcap, Stephen will not be independent until 30 June 2020. Full details of all related parties are disclosed on pages 94 and 95.

Appointment of Directors

The Executive Directors have contracts with the Company which include a 12-month notice period and 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. Lynne Fennah will therefore be proposed for election to the Board at the AGM on 24 April 2018.

Board and Committee Structure

The Board has three sub-committees, as shown in the diagram below:

Board

Audit Committee	Nominations Committee	Remuneration Committee
Jim Prower *Chairman*	Brenda Dean *Chairman*[1]	Stuart Beevor *Chairman*
Stephen Alston	Stephen Alston	Brenda Dean[1]
Stuart Beevor	Tim Attlee	Jim Prower

See pages 50 and 51

See page 49

See pages 52 to 62

1 Brenda Dean died on 13 March 2018. Stuart Beevor became acting Chairman from 14 March 2018.

All Directors are required to submit themselves for re-election at every third AGM after they are first elected. Tim Attlee, Jim Prower and Stephen Alston are all therefore subject to re-election at the forthcoming AGM. The formal performance evaluation carried out after the year end (see page 46) confirmed that the performance of each of the Directors' submitting for re-election continues to be effective and that they demonstrate commitment to their roles.

Board Meetings

The Board holds formal scheduled meetings at least twelve times a year and holds additional meetings, as required. These meetings are typically held at our offices and are subject to a quorum of two Directors.

At its regular meetings, the Board follows a formal agenda, which the Company Secretary circulates in advance of the meeting. This agenda includes:

- a review of the performance of our investments;
- an assessment of our progress with new investment opportunities;
- a review of our strategy;
- a review of our financial performance and forecasts;
- an update on investor relations; and
- updates on any regulatory or compliance issues advised by the Company Secretary or other advisers.

Prior to each meeting, the Directors are provided with a comprehensive set of papers covering proposed investments, our financial position and performance, an update on the student accommodation sector, shareholder analysis, a report on public relations and press commentary, and a report on regulatory and governance matters. When considering investment opportunities, the Board reviews detailed proposals prepared by the Executive Directors and approves investment decisions, as appropriate.

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

During the year, there were twenty-three Board meetings, including eleven ad hoc meetings. The table below shows the Directors' attendance at Board and Committee meetings in 2017. The figures in brackets show the number of meetings each Director was eligible to attend:

	Board	*Audit Committee*	*Nominations Committee*	*Remuneration Committee*
Baroness Dean	*22 (23)*	*4*[1]	*3 (3)*	*5 (5)*
Paul Hadaway (notice served 11 December 2017)	*20 (21)*	*4*[1]	*3 (3)*	*4*[1]
Tim Attlee	*21 (23)*	*4*[1]	*1*[1]	*2*[1]
Michael Enright (resigned 14 March 2017)	*2 (3)*	–	–	–
Lynne Fennah (joined 26 June 2017)	*13 (14)*	*1*[1]	–	–
Jim Prower	*20 (23)*	*4 (4)*	*2*[1]	*4 (5)*
Stephen Alston	*19 (23)*	*4 (4)*	*3 (3)*	*2*[1]
Stuart Beevor	*20 (23)*	*4 (4)*	*3*[1]	*5 (5)*

1 Attended at the Committee's invitation.

Prior to each regular Board meeting, 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 a year without the Chairman, to appraise her performance. This process is led by Jim Prower, as the Senior Independent Director, and takes into account the views of the Executive Directors.

EFFECTIVENESS

Board Performance and Evaluation

As noted in last year's Annual Report, in December 2016 the Board commissioned an externally facilitated evaluation of its performance, the findings of which were presented to the Board in February 2017.

During 2017, the Board implemented the following recommendations arising from the evaluation:

- Succession Planning – the Board has added consideration of succession planning to the Nominations Committee agenda.
- Director Training – it was noted that training received by Board members should be formally reviewed and documented as part of the annual performance reviews. This has now been added to the annual performance reviews.
- Outsourced Service Providers – it was noted that the Company has placed significant reliance on outsourced service providers since IPO. This had already been recognised by the Board, and since the arrival of Lynne Fennah the plans to bring these services in-house have been accelerated.
- Board Composition – it was recommended that the composition of the Board should be kept under review in terms of diversity, relevant skills and number of Directors. This has been added to the Nominations Committee agenda.

Although we were not required to have an externally facilitated evaluation this year, in the light of the changes in the Board's membership the Board felt it was appropriate to commission an impartial assessment of its performance. An independent corporate advisory firm, Board Evaluation Limited, carried out the evaluation, by way of interviews with each Director. Board Evaluation Limited has no other connection with the Company.

The review covered the following key areas:

- Board Compostion
- Governance Review
- Compliance with FRC and AIC Codes

Board Evaluation Limited collated the responses and presented its findings to the Board on 27 February 2018 Board Evaluation Limited's summary of findings is as follows:

"We have reviewed the governance structure, the Board and the governance documentation of Empiric. We believe there is an effective Board and governance structure in place and that it is appropriate for a business of this size and complexity.

In our opinion:

- *The skills, experience, quality and characteristics of Board members positively supports the effectiveness of the Board and its ability to deliver its fiduciary responsibilities.*
- *The Board, committee and documentation structure is appropriate for a company of Empiric's size and complexity.*
- *The Company complies in all material aspects with the AIC Code of Corporate Governance.*

Whilst we have assessed the Board and governance structure as effective and compliant, we have identified a number of areas where improvements could be made. The improvement areas are as follows:

- *Succession planning*
- *Directors' training and development*
- *Governance documentation*
- *Challenge and accountability*
- *Management information*
- *Companies Act responsibilities."*

The Board is satisfied the review has shown the Board and its committees are functioning effectively, and whilst none of the areas for improvement are significant the Board is taking action to address these points.

Induction and Training

After joining the Board in June 2017, Lynne Fennah received a formal induction, which included meetings with our advisers and visits to sites, to help her gain an understanding of the business and its operations. Lynne also met regularly with Jim Prower, who had led the recruitment process for her role (see page 49), to discuss progress since Lynne joined Empiric.

The Chairman reviews and discusses each Director's training and development, according to their individual needs. The Board believes that the Directors should attend training courses and hold positions in other organisations, as Empiric benefits from the skills and experience they gain. The Board as a whole also receives briefings and training on relevant topics. These have included updates on market abuse, MiFID II, Directors' responsibilities and Takeover Panel Regulations.

In addition, the Directors visit our properties and developments, to gain greater insight into the portfolio and its operations.

ACCOUNTABILITY

Internal Controls and Risk Management

The Directors are responsible for maintaining the Company's systems of internal control and risk management, in order to safeguard the Company's assets. This system is designed to identify, manage and mitigate the financial, operational and compliance risks inherent to our 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.

The Board regularly monitors the Company's risk management and internal control systems, including receiving reports from the external auditor. The Board will also conduct a formal risk assessment on an annual basis.

The Board has decided not to continue with its membership of the AIC at this time.

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

As discussed in the Audit Committee report on page 50, the Board does not currently consider that a full-time internal audit function is required.

AIFM Directive

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

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

Going Concern

The financial position of the Company and Group, their cash flows, liquidity position and borrowing facilities are described in the Operational and Financial Review on pages 18 to 21. 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 21.

As a consequence, the Directors believe that the Company and Group are well placed to manage its financing and other business risks. The Board is, therefore of the opinion that the going concern basis of accounting adopted in the preparation of the Annual Report is appropriate for at least 12 months from the date of approval of the Annual Report.

Viability

In accordance with provision C.2.2 of the revised UK Corporate Governance Code, taking in to account the Group's current position and principal risks, the Directors have assessed the prospects of the Group over a three-year period and confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due, for the three years to December 2020. The Directors' assessment has been made with reference to the Group's current position and prospects, the Group's strategy, the Board's risk appetite and the Group's principal risks and the management of those risks, as detailed in the Strategic Report on pages 34 to 39.

During 2017 and in making this statement, the Board carried out a robust assessment of the principal risks and uncertainties facing the Group, including those that would threaten the Group's business model, future performance, solvency or liquidity.

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

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

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

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

The model is subject to sensitivity analysis, which involves flexing a number of key assumptions underlying the forecast, both individually and in aggregate. Where appropriate, this analysis was carried out to evaluate the potential impact of the Group's principal risks (see pages 34 to 39) actually occurring.

RELATIONS WITH STAKEHOLDERS

Shareholders

The Board recognises the importance of maintaining strong relationships with shareholders, so we understand their views and are aware of their issues and concerns.

The Executive Directors and our advisers regularly engage with shareholders and we receive regular feedback from our broker and financial adviser on shareholder issues. Meetings with investors typically take place after the interim and full year results. In addition, the Chairman and Executive Directors met or held telephone calls with many of the Company's largest shareholders following the announcement of the business review and trading update on 23 November 2017.

The Board makes itself available at the Company's General Meetings and we encourage shareholders to attend and vote at these meetings. The 2018 AGM will be held at 10am on Tuesday 24 April 2018, at Newgate Communications, Sky Light City Tower, 50 Basinghall Street, London, EC2V 5DE. In addition, the Chairman makes herself available to shareholders, as necessary, outside these meetings. The Senior Independent Director is an alternative contact for shareholders.

The Company also communicates with investors in a number of other ways. These include:

- News announcements – We provide a regular flow of news, to keep shareholders up to date with our progress. We release any price sensitive information to all shareholders at the same time, in accordance with regulations.
- The Annual and Half Year Reports – These are our most significant tools for informing shareholders about our progress. Our Annual and Half Year Reports are sent to shareholders by mail and are also available to download from our website, www.empiric.co.uk.
- Our website – The website provides shareholders with timely information on our performance and property portfolio. It also gives access to current and archived documents, including our financial reports and regulatory prospectuses, as well as webcasts from the most recent results presentations.
- Investor/analyst meetings – We invite investors and analysts to our regular results presentations, where they have an opportunity to meet both Directors and members of the management team.
- Site visits – We run a programme of site visits for major shareholders, giving them valuable insight into the types of properties and locations we invest in.
- Informal engagement – The Chairman informally met or spoke with many of the Company's major institutional shareholders during the year.

Debt Providers

We recognise the important contribution of providers of debt capital and therefore maintain a regular and open dialogue with the Group's lenders, to understand their investment appetite and criteria. Our strong relationship with lenders is evidenced by the additional facilities we agreed during 2017. Further information on the Group's debt providers can be found on page 97.

Customers

Our customers – the students who live in our properties – are of critical importance to us. To understand the profile of our customer base, their values and their views on our accommodation and services, we have an ongoing third-party research initiative, in addition to the data we gather via the Hello Student® platform.

NOMINATIONS COMMITTEE REPORT

The Committee met three times during the year, with full attendance by all Committee members. The Committee's main activities included the recruitment of a new Chief Financial Officer, as described below.

Meetings and Activities

We reviewed the composition of the Board and concluded that it has a relevant balance of skills, qualifications and experience, including real estate investment and development, operating and managing student accommodation, the higher education sector, financial structuring and technology. The Board has considered making a further Non-Executive Director appointment but has concluded that the Board has the key skills covered at this time, in particular in respect of real estate, finance and operations.

We remain committed to managing the Group's talent, enabling people to develop by moving roles within the Group, increasing diversity, and developing a pipeline of talented and capable individuals who can progress to senior management levels, in particular on the operations side of the business.

Appointment of Lynne Fennah

Following Michael Enright's resignation as CFO on 14 March 2017, we appointed Robert Walters Executive Search to identify potential candidates and manage the selection and interview process. Robert Walters Executive Search has no connection with the Group, other than providing this type of service.

As part of this process, we identified the skills and experience we were looking for in a candidate. These included:

- A proven CFO, with significant hands on commercial experience outside practice
- Qualified accountant, with a minimum of ten years' relevant post-qualification experience
- Extensive experience of IFRS reporting, management reporting, tax, regulatory compliance and company secretarial responsibilities for complex groups
- Real estate experience, including valuations and investment appraisals
- Debt raising experience and management of banking relationships
- Operational experience in a highly transactional environment

The Committee received a long list of candidates and, following discussion with the other Directors, we produced a shortlist. The shortlisted candidates went through a process of interviews with, among others, the CEO and me, as well as meeting the other Board members. At the conclusion of this process, the Committee recommended to the Board that Lynne Fennah was the outstanding candidate and should be appointed to the role. The Board approved this recommendation.

Board Diversity

We recognise the benefits of diversity in its broadest sense, including gender, ethnicity, age, and educational and professional background. However, we do not believe it is in the interests of the Company and its shareholders to set prescriptive targets for diversity on the Board. Where Board vacancies arise, we do consider diversity but ultimately we look to appoint the best candidate for the role.

The Hampton-Alexander review set a voluntary target for the proportion of women on the Boards of FTSE 350 companies. While Empiric is not a member of the FTSE 350, two of the six Directors on the Board at the year end were women, which puts us in line with this target.

More information about gender diversity on the Board and in Empiric as a whole can be found on page 15.

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

Statement made prior to her death and approved by the Acting Chairman below:

Stuart Beevor

Acting Chairman | 21 March 2018

AUDIT COMMITTEE REPORT

The Audit Committee met four times during the year. All the Committee members attended these meetings.

Jim Prower is considered to possess recent and relevant financial experience for the purpose of the Code and the Audit Committee as a whole is considered to have competence relevant to our sector. Details of the experience of each Committee member can be found in their biographies on pages 40 and 41.

The Committee's Activities

The Audit Committee met four times during the year. All the Committee members attended these meetings, as well as the Chairman, the CEO, the CFO and representatives of the Administrator and our external auditor, who were invited to attend.

During the year, our work included:

- reviewing the internal controls and risk management systems, which were formalised in the Financial Position and Prospects Procedures memorandum approved by the Board at IPO;
- reviewing the financial statements for the six months ended 31 December 2016 and the interim report for the six months ended 30 June 2017, including considering key accounting policies and areas of significant judgement, compliance with statutory obligations and accounting standards, and consistency throughout the reports;
- reviewing the process undertaken to ensure that the Board can confirm that the financial statements are fair, balanced and understandable; and
- reviewing and approving the external auditor's terms of engagement, remuneration and tenure of appointment.

External Auditor and Other Services

The FRC's Audit Quality Review Team ("AQRT") selected to review the audit of the Company's financial statements for the six months ended 31 December 2016 as part of its 2017 annual inspection of audit firms. The Chair of the Audit Committee received a full copy of the findings of the AQRT and discussed these with BDO. There were no areas for improvement identified within the report. We are satisfied that there is nothing within the report which might have a bearing on the audit appointment.

As envisaged in my report in the Report and Accounts for the six months to 31 December 2016, we reviewed the appointment of BDO LLP ("BDO") as the Group's external auditor and decided to retain BDO. The Committee has therefore recommended a resolution for BDO's reappointment to be proposed to shareholders at the AGM.

We also 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, Richard Levy, 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 5 (revised June 2016). This relates to non-audit services provided to audited entities and sets out the six principal threats to objectivity and independence. Our aim is to ensure that providing such services does not impair the auditor's independence and objectivity. We will 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 acted as reporting accountant in relation to the share issue in July 2017.

Ernst & Young LLP provided tax compliance and advisory services to the Group during the year.

Internal Audit

Due to the Group's size and structure and the nature of its activities, the Committee has concluded that a full-time, in-house internal audit function is unnecessary. However, we will consider the need for this function annually and make recommendations to the Board.

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. Our view is that the Group has suitable arrangements for proportionately and independently investigating such matters and for appropriate follow-up action.

Share Capital Structures

The share capital structure and restrictions are covered in detail in the Directors' Report on pages 63 to 65.

Financial Reporting and Significant Judgements

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.

Valuation of Property Portfolio
The Group has property assets of £890.6 million, as detailed on page 73 in the Group Statement of Financial Position. As explained in Note 13, 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 them with management and CBRE, and concluded that the valuation is appropriate.

Valuation of Interest Rate Derivatives
The Group mitigates its exposure to interest rate risk by purchasing appropriate hedging instruments. The Group accounts for these instruments in accordance with IAS 39 and makes additional required disclosures under IFRS 7 Financial Instruments Disclosures. The valuations are provided by an independent valuation expert, JCRA, and have been reviewed and approved by the Board.

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

In outlining our advice, we considered the following:

- the comprehensive documentation outlining 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, financial adviser, legal adviser, auditor and the Audit Committee, which are intended to ensure consistency and overall balance.

As a result of this work, the Committee has concluded and reported to the Board that the Annual Report for the year ended 31 December 2017, 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 65.

Jim Prower
Audit Committee Chairman | 21 March 2018

STATEMENT FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE

The Company has faced a particularly challenging period in 2017. The Remuneration Committee has been resolute in making decisions which are fair to shareholders and Executives and which recognise the poor Company performance. We are confident the actions taken recently will deliver significantly improved performance in 2018 and beyond and Executive rewards are aligned to ensure the right incentives to deliver attractive results.

Changes in the Executive Team

The changes in the Executive team were the primary focus of the Remuneration Committee during 2017. Michael Enright's departure in March 2017 led to Lynne Fennah's appointment in June and at the end of the year Paul Hadaway was served notice and left the Company.

Details of the termination arrangements for Paul Hadaway and Michael Enright are reported on pages 59 and 60, and reflect the Remuneration Committee's commitment to acting in the best interests of shareholders whilst respecting contractual commitments. Lynne Fennah's remuneration arrangements are reported on page 57 and are consistent with those of her predecessor.

Reward Decisions

The challenges facing Empiric are reported fully elsewhere in this Annual Report. Against this backdrop, the Remuneration Committee decided not to award any basic salary increases, due in January 2018 and Executives in post at the start of 2017 received no annual bonuses for 2017 performance. For the period of 2017 that she was employed, part of Lynne Fennah's bonus was based on a series of critical financial management objectives detailed on page 58. Lynne worked tirelessly and delivered all of these objectives and therefore earned a bonus of £64,080 (40% of which was deferred into shares).

During 2017, the performance period ended for the 2014 LTIP award. This award was based on the Company's TSR performance over the three-year period following IPO to 30 June 2017. At the end of that period, the Company had delivered 29% TSR which, under the terms of the performance condition, resulted in 63.7% of the award vesting in July 2017. Details are on page 58. As a consequence of recent poor share price performance, LTIP awards granted to Executive Directors in 2015 and 2016 and the Value Delivery Plan awards granted in 2017 are all currently on-track for zero vesting.

Strategic and Shareholder Alignment

Executive remuneration in 2018 has been designed to provide alignment with Empiric's strategic priorities and shareholder interests. In particular:

- Annual bonus performance measures are focused on objectives critical to delivering improved corporate performance (building dividend cover and creating an efficient operating model) and individually specific strategic measures.
- Executives are aligned with the principle of shareholder value creation through participation in long-term incentive plans that reward growth in NAV plus dividends.
- The Directors are required to build up and retain significant holdings of Empiric shares (400% of salary for Tim Attlee; 200% of salary for Lynne Fennah) that directly align them with other shareholders.

Full details of how the Directors' Remuneration Policy (the "Policy") will be applied during 2018, as well as how Directors were paid in 2017, are set out on pages 56 and 57. There will be an advisory shareholder vote on this section of the Remuneration Report at our 2018 AGM.

We value engagement with our shareholders and for the constructive feedback we receive and look forward to your support at the forthcoming AGM.

REMUNERATION COMMITTEE REPORT

Our Directors' Remuneration Policy was approved by shareholders at the General Meeting held on 21 December 2016 and came into effect from 1 January 2017.

Summary of Policy Report

There is no shareholder vote on the Policy at the 2018 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 General Meeting issued in December 2016 which is on our website at www.empiric.co.uk/investor-information.

Policy Table for Executive Directors

Component	Purpose and Link to Strategy	Operation	Maximum	Performance Framework
Fixed Pay				
Base Salary	Core element of remuneration, set at a level to attract and retain Executive Directors of the required calibre to deliver the Company's investment objectives successfully.	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 to comparable roles. • 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.

REMUNERATION COMMITTEE REPORT | CONTINUED

Component	Purpose and Link to Strategy	Operation	Maximum	Performance Framework
Pension	To provide market competitive retirement benefits.	The Company either contributes to the Directors' personal pension arrangements or directly to their pension plans. Alternatively, Directors may receive a cash allowance in lieu of pension.	Executive Directors receive a contribution of up to 15% of basic salary to a pension plan and/or as a cash allowance in lieu of pension.	None.
Variable remuneration				
Annual and deferred annual bonus	To link reward to the achievement of key business objectives for the year. 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 in cash or 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 and strategic performance measures. The selected measures for the next financial year will be set out in the Annual Report on Remuneration section of the Remuneration Report.
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. Dividend equivalents will be paid in cash or 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, which 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.

Component	Purpose and Link to Strategy	Operation	Maximum	Performance Framework
Value Delivery Plan ("VDP") 2017–20 award	To align the incentives of participants with the objectives of the 2025 Plan, the long-term performance of the business and to motivate and retain key members of staff.	At the end of the four-year performance period, a reward pool will be generated based on the amount of shareholder value generated over the period. For this purpose, shareholder value will be defined as NAV growth plus compounded dividends. The value of the reward pool will be translated into Empiric shares and held for a further year before release to award holders (along with the value of any dividends accruing on those shares during the holding period). For the duration of this Policy, participants in the VDP will receive no further awards under the existing LTIP, other than an award in respect of the deferred element of the annual bonus scheme.	The maximum value of the reward pool is capped at 5% of shareholder value generated over the four-year performance period. No individual can receive more than 40% of the reward pool.	Unless shareholder value of at least 8% p.a. (the threshold target) is delivered in a four-year performance period, there will be no reward pool. If value is delivered above that threshold target, then a reward pool will be generated equivalent to 10% of the excess value (subject to the overall reward pool cap). Any value accruing under the VDP will be dependent upon the Remuneration Committee being satisfied that the related performance has been achieved in a manner that is consistent with the Board approved risk profile.
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.	Share options may be granted under an HMRC approved Company Share Option Plan to the extent possible.	If ESOP awards were, in exceptional circumstances, granted to an Executive Director, they would be subject to an appropriate performance condition as determined by the Remuneration Committee.
All-employee share plans	To reward employees for the delivery of long-term shareholder value.	Executive Directors may participate on the same basis as other employees.	Participants may contribute up to the relevant limits set out in the plan.	None.
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 participating in the VDP have an enhanced shareholding guideline of 400% of salary and are required to retain shares vesting under the VDP (net of shares sold to meet tax liabilities on vested shares) until they are compliant with the guideline. They will also be required to retain shares equivalent to 200% of salary for a minimum of two years post cessation of 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 2018 Annual General Meeting.

Implementation of the Remuneration Policy in 2018

This section provides an overview of how the Committee is proposing to implement the Remuneration Policy during 2018.

Base Salary

The Remuneration Committee has reviewed the Executive Directors' base salaries with effect from 1 January 2018 and determined that no increase is appropriate. The salaries are set out below.

Executive Director	*From 1 January 2017*	*From 1 January 2018*	*Percentage increase*
Tim Attlee	*£360,000*	*£360,000*	*0%*
Lynne Fennah (Appointed 26 June 2017)	*£225,000*	*£225,000*	*0%*

Lynne Fennah's salary outlined above was set upon appointment on the assumption that she was to fulfil a standard CFO role working alongside the CEO and CIO. In light of the recent Board changes, her actual role has evolved to additionally encompass COO responsibilities. The Remuneration Committee intends to review Lynne's salary in light of her enhanced role and may, subject to performance, make an appropriate adjustment to her salary in due course.

Pension and Benefits

Executive Directors will be provided with a standard benefits package including 15% of salary pension provision, medical insurance, life insurance and car allowance.

Annual and Deferred Annual Bonus

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

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

- Dividend cover (one third of bonus)
- Operating model effectiveness and efficiency (one third of bonus)
- Director specific objectives (one third bonus)

In 2017, the bonusable objectives included building dividend cover and creating an efficient operating model. The Remuneration Committee considers these two objectives remain critical to delivering improved corporate performance. However, there are also other critical areas which are specific to each Director. Tim Attlee is currently acting CEO and retains his CIO role. Lynne Fennah is CFO but also responsible for day-to-day operating activities. Specific objectives for each Director have been identified. For both, a shared primary objective is to achieve full occupancy for the 2018/19 academic year. In addition, Tim Attlee's additional primary objective is to optimise development and investment opportunities whilst recognising further equity will not be raised until the Company's financial and operational performance has improved and for Lynne Fennah the additional primary objective is to bring in-house all facilities management operations.

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

Any bonus payout will be subject to the Remuneration Committee confirming that, in its assessment, the financial 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

Lynne Fennah will be awarded an LTIP for 2018 equivalent to 150% of salary. Tim Attlee is a participant in the VDP (details of which are on page 59) and therefore will not receive a LTIP award in 2018.

The Committee has set a Total Return ("TR") target range for future LTIP awards whereby 25% of the awards vest for achieving 8% per annum TR increasing to 100% vesting for achieving 12% per annum TR with the Company's TR performance measured over a three-year period. TR is calculated by the change in NAV plus dividends.

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.

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

Non-Executive Director Remuneration

The unchanged fee structure applying from 1 January 2018 is outlined in the table below. Non-Executive Director fees are determined by the full Board, except for the fee for the Chairman of the Board, which is determined by the Remuneration Committee.

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

Prior to July 2017, no fee was paid to Stephen Alston who is an employee of Real Estate Venture Capital Management LLP and who was not considered to be fully independent.

From July 2017 onwards, Real Estate Venture Capital Management LLP was no longer a joint venture partner, so Stephen Alston was paid a fee pro-rated from July 2017.

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 2017 alongside the equivalent data for the previous 6-month financial period.

	Year ended 31 December 2017						*Six-month period ended 31 December 2016*						
	Salary and fees (£)	*Benefits (£)*	*Annual bonus (£)*	*Long-term incentives (£)*	*Pension (£)*	*Total (£)*	*Salary and fees (£)*	*Benefits (£)*	*Annual bonus (£)*	*Annual bonus lapsed[1] (£)*	*Long-term incentives (£)*	*Pension (£)*	*Total (£)*
Executive Directors													
Tim Attlee	*360,000*	*14,318*	–	*302,209*	*54,000*	*730,527*	*180,000*	*6,646*	*99,000*	–	–	*27,000*	*312,646*
Lynne Fennah (Appointed 26 June 2017)	*116,505*	*6,977*	*64,080*	–	*17,476*	*205,038*	–	–	–	–	–	–	–
Paul Hadaway (Until 11 December 2017)[1]	*340,849*	*13,788*	–	*302,209*	*51,127*	*707,973*	*180,000*	*8,455*	*99,000*	–	–	*27,000*	*314,455*
Michael Enright (Until 14 March 2017)[1]	*55,386*	*3,306*	–	*151,104*	*8,303*	*218,099*	*135,000*	*7,057*	*74,250*	*(74,250)*	–	*20,250*	*162,307*
Non-Executive Directors													
Brenda Dean	*115,000*	–	–	–	–	*115,000*	*57,500*	–	–	–	–	–	*57,500*
Jim Prower	*52,500*	–	–	–	–	*52,500*	*26,250*	–	–	–	–	–	*26,250*
Stuart Beevor	*48,000*	–	–	–	–	*48,000*	*24,000*	–	–	–	–	–	*24,000*
Stephen Alston	*20,000*	–	–	–	–	*20,000*	–	–	–	–	–	–	–

1 See Payments for loss of office sections for details of termination agreements with past Directors.

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 a £10,000 per annum car allowance.

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

Long-term incentive – These columns relate to the value of long-term awards whose performance period ends in the period under review. The first long-term incentive award was granted in 2014 and had a performance period that ended in June 2017. The awards vested on 23 July 2017, when the Remuneration Committee determined whether the performance conditions had been met. The awards were then valued on the preceding trading day, using the closing mid-market share price of 109.3 pence. For more detail on the vesting of awards see section below.

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

ANNUAL REPORT ON REMUNERATION | CONTINUED

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

Annual Bonus

The Executive Directors (other than Michael Enright) were participants in the annual bonus scheme. The maximum annual bonus opportunity for 2017 was 110% of salary. 40% of any bonus earned is deferred into shares usually for three years.

The maximum potential annual bonus that could be paid to Executive Directors in respect of the year ended 31 December 2017 was determined by a combination of:

For Paul Hadaway and Tim Attlee – two performance measures being dividend cover (50% weighting) and operating model roll-out (50% weighting).

For Lynne Fennah – three performance measures being dividend cover (25% weighting), operating model role out (25% weighting) and financial management (50% weighting).

Performance targets for Paul Hadaway and Tim Attlee are set out below.

Performance measure	*Proportion of bonus determined by measure*	*Threshold performance 0% payable*	*Maximum performance 100% payable*	*Actual performance*	*% of maximum bonus payable*
Dividend cover	*One-half*	*50% dividend cover*	*90% dividend cover*	*32.9% dividend cover*	*0%*
Operating model roll-out	*One-half*	*See below[1]*	*See below[1]*	*See below[1]*	*0%*
				TOTAL	***0%***

1 A successful roll-out of our Hello Student® operating model was an integral strategic goal for 2017. At the start of the financial year, the Remuneration Committee agreed a list of activities and deadlines against which it would assess delivery of the operating model roll-out. The intention was that these would be a forerunner to setting a numeric operating margin target. Although progress has been made against these objectives, the growth in assets under management and the evolution of Hello Student® led to poor performance which has been reported on page 19. As a result, the Remuneration Committee considered no bonus should be payable in respect of this objective. Indeed, Paul Hadaway (before his departure) and Tim Attlee waived their entitlement to a bonus in 2017 in November 2017, when the Trading Update was released.

Performance targets for Lynne Fennah are as set out below, and pro-rated from commencement on 26 June to 31 December:

- Dividend Cover – As above
- Operating Model Rollout – As above
- Financial management – A number of business critical objectives were agreed including: reviewing loan covenants, banking relationships and securing new facilities; preparing SPV accounts for all entities; undertaking a forensic investigation into operating and administration costs and restructuring of the finance team. Lynne Fennah has met all of these objectives, transformed the Company's financial capability and has worked tirelessly to deliver strong performance in all areas. Accordingly, the Remuneration Committee has awarded 100% payout against this element of the bonus.

The table below sets out the resulting annual bonus awards made in respect of the period ended 31 December 2017.

	Bonus paid in cash	*Bonus to be awarded in deferred shares[1]*	*Total bonus*
Paul Hadaway	–	–	–
Tim Attlee	–	–	–
Lynne Fennah	*£38,448*	*£25,632*	*£64,080*

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

LTIP Vesting

The vesting of the LTIP granted on 30 June 2014 was subject to total shareholder return ("TSR") relative to threshold and maximum targets for the period 30 June 2014 to 30 June 2017. TSR means combined share price growth and dividends. 25% of the awards vest for meeting a threshold TSR target increasing to 100% vesting for meeting a maximum target.

The TSR targets were calculated on a blended basis determined by the pro rata weighting of the number of the Company's shares in issue during the performance period. For the first 12 months following a fund raising, the threshold and maximum annualised TSR targets that applied for shares issued in relation to that fund raising were 5% and 7.5% respectively and subsequent to the first 12 months following a fund raising, the threshold and maximum annualised TSR targets that applied for shares issued in relation to that fund raising were 10% and 15% respectively.

Over the three-year performance period to 30 June 2017, taking into account dividends, the resulting threshold share price trigger was £1.0877 and the maximum share price trigger was £1.1656. The average 20-day share price to end of June 2017 was £1.1279, which resulted in vesting of 63.7% of the award. The award also provides for additional shares to reflect accrued dividends. This increased the number of vested shares by 15.8%.

The awards which vested, in the form of nil cost options, were therefore:

		Vesting After Performance Assessment		*Dividend shares*	
	Original Award	*%*	*No*	*No*	*Total Shares Vesting*
Paul Hadaway	*375,000*	*63.7*	*238,800*	*37,695*	*276,495*
Tim Attlee	*375,000*	*63.7*	*238,800*	*37,695*	*276,495*
Michael Enright	*187,500*	*63.7*	*119,400*	*18,847*	*138,247*

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.

The following table provides details of the award granted on 12 December 2017 to Lynne Fennah. There were no other LTIP awards granted in 2017.

	Type of award	*Maximum number of shares* [1]	*Face value £*	*Face value % salary* [2]	*Threshold vesting*	*End of performance period*
Lynne Fennah	*LTIP*	*135,610*	*£145,631*	*64.7% of annual salary*	*25% of award*	*30 June 2020*

1 The maximum number of shares awarded has been calculated using the average Company share price for the 12-month period to 30 November 2017 of £1.0739 and is stated before the impact of reinvestment of the dividends paid since grant.
2 The award was equivalent to 125% of salary for the period from joining on 26 June to 31 December.

Vesting of the 2017 LTIP award is subject to a performance condition based on total return (NAV per share growth and dividends) measured over a three-year performance period to 30 June 2020. 25% of the award will vest for meeting a threshold TR target of 8% per annum increasing to 100% vesting for meeting a maximum target of 12% per annum.

VDP

As a result of Paul Hadaway's departure from the Company, Tim Attlee is now the only current participant in the VDP, which has a four-year performance period of 2017–2020 on the following terms:

- Subject to achievement of a threshold target of 8% per annum of shareholder value (measured as growth in NAV plus compound dividends paid), a reward pool will be created.
- The value of the reward pool will be the lower of i) 10% of value generated above the threshold; and ii) 5% of total value generated over the performance period.
- At the end of the four-year performance period, Tim Attlee will receive 40% of the reward pool in shares that will be subject to an additional minimum one-year holding period. 60% of the reward pool is currently unallocated.
- Malus and clawback may be applied to VDP awards up to five years from the date of award.

Payments to Past Directors (Audited)

There were no payments to past Directors during 2017.

Payments for Loss of Office (Audited) – Michael Enright

Michael Enright, the former CFO, stepped down from the Board on 14 March 2017 and ceased employment with the Company on 31 March 2017. Payments made following his stepping down from the Board are set out below:

Termination Payments

Michael Enright continued to receive salary, pension and benefits until 31 March 2017. The Company, in accordance with his contract, then exercised its discretion to make a payment in lieu of notice ("PILON") of £270,000. The PILON is based on salary only. Additionally, a compensation payment of £50,500 was made to Michael Enright as settlement of any claim arising in connection with cessation of employment. Consistent with the Remuneration Policy approved by shareholders, total termination payments do not exceed salary, pension and benefits in relation to the notice period.

The Company also paid £3,500 (plus VAT) in relation to legal fees incurred by Michael Enright in connection with the termination of his employment.

Incentives

Michael Enright was not eligible for an annual bonus in respect of the 2017 financial year and did not receive an LTIP award in 2017. His outstanding incentives will vest according to the original schedules and terms, apart from an annual bonus for the period to 31 December 2016 and his 2015 and 2016 LTIP awards, which lapsed on cessation of employment.

Payments for Loss of Office (Audited) – Paul Hadaway

Paul Hadaway was served notice by the Company on 11 December 2017 and formally stepped down as a Director on 12 December 2017. He remained an employee until 28 February 2018.

ANNUAL REPORT ON REMUNERATION | CONTINUED

Termination Payments

Paul Hadaway continued to receive salary, pension and benefits between 11 December 2017 and 31 January 2018. The Company, in accordance with his contract, then exercised its discretion to make a PILON of £310,849. The PILON relates to salary for the remainder of his notice period from 1 February to 10 December 2018. Additionally, a compensation payment of £58,750 was made to Paul Hadaway as settlement for loss of benefits. Consistent with the remuneration policy approved by shareholders, total termination payments do not exceed salary, pension and benefits in relation to the notice period.

The Company also paid £10,000 (plus VAT) in relation to legal fees incurred by Paul Hadaway in connection with the termination of his employment.

Incentives

Paul Hadaway received no bonus for 2017 or 2018 and his outstanding incentives lapsed on termination of employment.

Statement of Directors' Shareholdings and Share Interests (Audited)

The tables below show the Directors' share ownership as at 31 December 2017.

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

The shareholding guidelines also require Tim Attlee (as a participant in the VDP) to build up a shareholding worth at least 400% of salary and he is required to retain shares vesting under the VDP (net of shares sold to meet tax liabilities on vested shares) until he is compliant with the guideline.

VDP participants are also required to retain shares equivalent to 200% of salary for a minimum of two years post cessation of employment (unless the Committee considers a lower limit to be appropriate in a particular participant's circumstances).

Director	*Dividends received during the year ended 31 December 2017*	*Shares owned outright at 31 December 2017 (number of shares)*	*% of salary*[1]	*Outstanding LTIP awards subject to performance and employment conditions at 31 December 2017*[2] *(number of shares)*	*Outstanding Deferred Annual Bonus awards subject to employment conditions at 31 December 2017*[3] *(number of shares)*
Brenda Dean	£2,825	48,285	–	–	–
Tim Attlee	£45,001	834,674	216%	704,175	268,857
Lynne Fennah	–	55,400	23%	135,610	–
Paul Hadaway	£80,837[6]	1,532,775[5]	–	–	–
Michael Enright	£11,625[6]	888,246[5]	–	–	178,675
Jim Prower	£2,219	37,935	–	–	–
Stephen Alston	£2,270	38,800	–	–	–
Stuart Beevor[4]	£1,170	20,000	–	–	–

1 Value based on salary effective 1 January 2017 and the closing share price on 31 December 2017 of £0.93.
2 These are LTIP awards subject to the performance conditions (see table below).
3 These are deferred awards granted on 9 November 2015 (pursuant to the 2014/15 annual bonus scheme), on 29 September 2016 (pursuant to the 2015/16 annual bonus scheme) and on 25 April 2017 (pursuant to the 2016/17 annual bonus scheme).
4 Held jointly between Stuart Beevor and his wife, Kim Beevor.
5 Number of shares held at cessation of period as Director.
6 Dividends received up to point of cessation as Director.

	Grant date			
Number of shares awarded under the LTIP	*9 November 2015*[1]	*29 September 2016*[1]	*12 December 2017*[2]	*Total*
Tim Attlee	460,131	244,044	–	704,175
Lynne Fennah	–	–	135,610	135,610

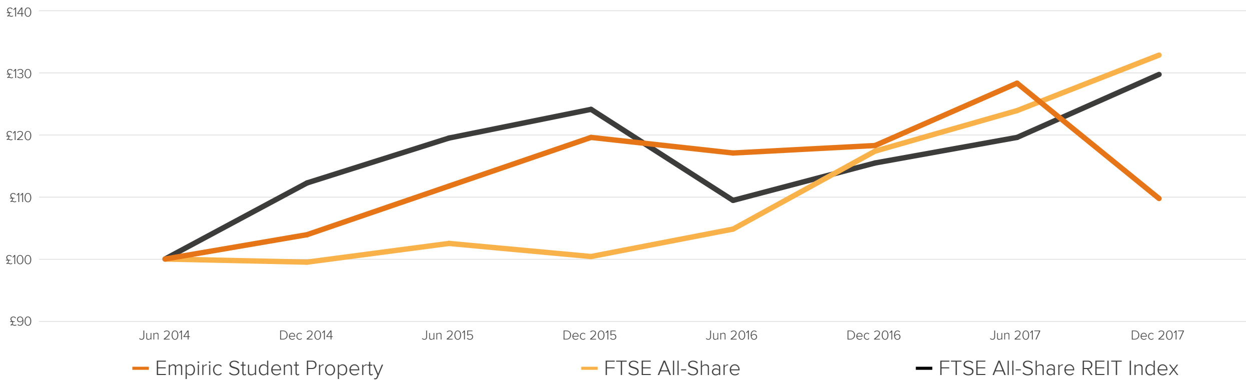
1 The TSR performance condition for the 2015 and 2016 awards is as per the 2014 award, details of which are shown in the section 'LTIP Vesting' on page 58.
2 The TR performance condition for the 2017 award is set out in the section "Long-Term Incentive Plan Awards" on page 59.

Between 31 December 2017 and the date of this Report, there were no changes in the shareholdings outlined in the above tables.

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 100p.

Total Shareholder Return vs the FTSE All-Share Index and the FTSE All-Share REIT Index



Chief Executive Officer Remuneration Outcomes

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

	Financial year			
	12 months ended 30 June 2015	*12 months ended 30 June 2016*	*6 months ended 31 December 2016*	*12 months ended 31 December 2017*[1]
CEO single figure of remuneration	*£576,263*	*£748,160*	*£314,455*	*£731,442*
Annual bonus payout (% of maximum)	*100%*	*100%*	*50%*	*0%*
LTIP vesting (% of maximum)	*n/a*	*n/a*	*n/a*	*63.7%*

1 This has been calculated using Paul Hadaway's remuneration as CEO up to the 11 December 2017 and then Tim Attlee's remuneration from 12 December up to 31 December 2017 as acting CEO.

Percentage Change in Remuneration of the CEO

The table below shows the change in the various elements of CEO remuneration relative to the change in average employee remuneration between the last two financial periods. For comparability, the data for the six month period ended 31 December 2016 has been annualised in this analysis.

	CEO change	*Average employee change*
Base salary	–	*+4%*
Benefits	–	–
Annual bonus	*–100%*	*–3%*

Relative Importance of the Spend on Pay

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

	Financial year	
	6 month period ended 31 December 2016	*Year ended 31 December 2017*
Total staff costs (further details are provided in Note 6 to the Group accounts (page 84)	*£2.0m*	*£4.3m*
Total dividends	*£15.0m*	*£30.6m*

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 2017, the Remuneration Committee consisted of the following Directors: Stuart Beevor, Brenda Dean and Jim Prower. The Committee met five times during the year ended 31 December 2017.

Internal Advice

Paul Hadaway, Tim Attlee, Lynne Fennah and Stephen Alston additionally joined for part of some Remuneration Committee meetings to provide valuable input. No individual was present when their own remuneration was being discussed. The Company Secretary acted as secretary to the Remuneration Committee.

ANNUAL REPORT ON REMUNERATION | CONTINUED

External Advice

Deloitte LLP was appointed by the Company in 2015 to provide advice on executive remuneration matters. During the year, the Committee received independent and objective advice from Deloitte, principally on the drafting of the remuneration report, incentive design and market practice. Deloitte was paid £37,650 in fees during the year ended 31 December 2017 for these services (charged on a time plus expenses 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.

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 2017 Annual General Meeting)	*173,723,222 (98.2%)*	*3,206,357 (1.8%)*	*7,000*
Approval of the Remuneration Policy (December 2016 General Meeting)	*189,376,032 (59.2%)*	*130,291,527 (40.8%)*	*10,196,832*

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.

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

On behalf of the Board

Stuart Beevor

Remuneration Committee Chairman | 21 March 2018

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 2017.

The Directors' Report, together with the Strategic Report on pages 1 to 62 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 72.

The interim dividends declared and paid in relation to the year are set out on page 94.

Directors
The names of the Directors of the Company who served during the year are set out on page 57. The biographical details of the current Board are on pages 40 and 41.

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 56.

Future Developments
An indication of the likely future developments of the Company is set out in the Strategic Report on pages 18 and 19.

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

Employees
The Group complies with all relevant legislation, respects human rights, encourages a diverse and tolerant workforce, provides fair pay and remuneration benchmarked to industry standards and gives its staff the opportunity to develop in a supportive environment.

More information about the Group's employees can be found on page 15.

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 29 to the consolidated financial statements.

Share Capital
On 24 July 2017, the Company issued 100,917,432 ordinary shares as part of a placing, open offer and offer for subscription approved by shareholders at a General Meeting on 21 July 2017.

The Company issued 552,990 ordinary shares on 11 August 2017 and 138,247 shares on 4 October 2017, as part of the Directors' LTIP, to give a total of 691,237 ordinary shares issued.

At 31 December 2017, the total number of ordinary shares in issue was 602,887,740.

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 pages 34 to 39. The Board is, therefore, of the opinion that the going concern basis adopted in the preparation of the Annual Report is appropriate.

Greenhouse Gas Emissions Reporting
The information on emissions required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 is set out on page 27.

DIRECTORS' REPORT | CONTINUED

Substantial Shareholdings

As at 31 December 2017, the Company had been notified under the Disclosure and Transparency Rules (DTR 5) of the following substantial holdings in its ordinary shares:

	At 31 December 2017	
Investor	*Number of ordinary shares*	*Percentage of ordinary shares*
Investec Wealth & Investment	*52,022,337*	*8.63*
Cazenove Capital Management	*42,698,079*	*7.08*
BlackRock	*29,848,106*	*4.95*
East Riding of Yorkshire	*28,293,515*	*4.69*
Kleinwort Hambros	*27,615,530*	*4.58*
CCLA Investment Management	*27,537,351*	*4.57*
Premier Asset Management	*24,821,152*	*4.12*
Avenue Capital Group CfD	*19,369,867*	*3.21*

No changes to the above information were received during the period from 1 January 2018 to the date of signing this Report. Notifications made to Empiric under DTR 5 are available on the Investor Information section of our website.

Amendment of Articles

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

Powers of the Directors

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

Powers in Relation to the Company Issuing or Purchasing its Shares

At the Company's AGM held on 25 May 2017, 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 £1,654,221. In addition, the Directors were granted authority to allot equity securities (as defined in section 560(1) of the Companies Act 2006) up to a further £3,308,442 in connection with an offer by way of rights issue. Of these ordinary shares, the Directors were granted authority to issue up to an aggregate nominal amount of £250,639 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 £250,639 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.

In addition, at the Company's general meeting held on 21 July 2017, the Directors were granted general authority to allot up to 140,000,000 ordinary shares in the Company in accordance with section 551 of the Companies Act 2006. The statutory pre-emption rights under section 561 of the Companies Act 2006 were disapplied in relation to these ordinary shares. These authorities expired on 30 September 2017.

At the Company's AGM held on 25 May 2017, 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 50,127,907 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 42.

Post Balance Sheet Events

For all details occurring since the balance sheet date, please refer to Note 27 on page 95.

Independent Auditor

BDO LLP has expressed its willingness to continue as auditor for the financial year ending 31 December 2018 and a resolution relating to this appointment will be tabled at the AGM on 24 April 2018.

Disclosure of Information to Auditor

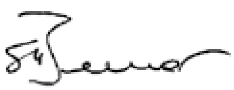
The Directors who were members of the Board at the time of approving the Directors' Report have confirmed that:

- 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

Details of the Company's forthcoming AGM can be found on page 48.

This Report was approved by the Board on 21 March 2018.



Stuart Beevor

Acting Chairman | 21 March 2018

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

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 IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of 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. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for ensuring that the Annual Report and Accounts, taken as a whole, are fair, balanced, and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

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 United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' Responsibilities Pursuant to DTR4

The Directors confirm to the best of their knowledge:

- The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group.
- 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.

Stuart Beevor

Acting Chairman | 21 March 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EMPIRIC STUDENT PROPERTY PLC

OPINION ON THE FINANCIAL STATEMENTS

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 2017 which comprise the Group Statement of Comprehensive Income, the Group Statement of Financial Position, the Company Statement of Financial Position, the Group Statement of Changes in Equity, the Company Statement of Changes in Equity, the Group Statement of Cash Flows, the Company Statement of Cash Flows and 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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 are 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

USE OF OUR REPORT

This report is made solely to the members of the Parent Company, 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.

CONCLUSIONS RELATING TO PRINCIPAL RISKS, GOING CONCERN AND LONGER-TERM VIABILITY

We are required to give a statement as to whether we have anything material to add or draw attention to in relation to:

- the disclosures in the annual report set out on pages 34 to 39 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 42 in the annual report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement set out on page 62 in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group and the Parent Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 46 in the annual report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing material to add or to draw attention to in respect of these matters.

OVERVIEW OF THE AUDIT APPROACH

Materiality	Overall Group materiality of £9.0million which represents 0.9% of total assets.
Audit scope	The entire Group was subject to a full audit. We have obtained an understanding of the controls in place within the Group which assisted us in identifying and assessing risks of material misstatement due to fraud or error as well as assisting us in determining the most appropriate audit strategy.
Key audit matters	Valuation of the investment property portfolio (including properties under development), student rental income and property costs.

OUR APPLICATION OF MATERIALITY

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

	Financial statement materiality	**Specific materiality – EPRA earnings**	
Materiality		**Property costs**	**Other trading items**
Materiality	£9,000,000	£500,000	£500,000
Performance materiality	£6,750,000	£300,000	£375,000
Clearly trivial	£200,000	£25,000	£25,000

Materiality

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

We determined the materiality for the Group financial statements as a whole to be £9,000,000 (2016: £7,500,000), which was set at 0.9% of Group total assets (2016: 0.9%). This provides a basis for determining the nature and extent of our risk assessment procedures, identifying and assessing risk of material misstatement and determining the nature and extent of further audit procedures.

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

We also determined that for other classes of transactions, balances or disclosures not related to investment properties, a misstatement of less than materiality for the financial statements as a whole could influence the economic decisions of users. As a result, we determined that a materiality for items which may affect EPRA earnings should be £500,000 (2016: £400,000). Those items which may affect EPRA earnings include revenue, property expenses, administrative expenses, finance cost and income, share of results from joint ventures and taxation. The specific materiality represents 1.0% of revenue (2016: 2.1%), the most appropriate benchmark for a business that is still maturing and is within its significant growth stage. In the current year we have reduced the relative specific materiality level as there is an increased focus on the trading results as the Group matures.

Performance Materiality

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

On the basis of our risk assessment together with our assessment of the Group's overall control environment, our judgment was that overall performance materiality for the Group should be 75% (2016: 75%) of materiality, namely £6,750,000 (2016: £5,625,000). We have used a similar basis for specific materiality except for property costs where we have reduced performance materiality to £300,000 owing to our risk assessment in this area, as detailed in the key audit matters below.

Reporting Threshold

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

We agreed with the Audit Committee that we would report all individual audit differences in excess of £200,000 (2016: £150,000) to the Audit Committee and any other differences that, in our view, warranted reporting on qualitative grounds. We have also agreed to report differences impacting EPRA earnings in excess of £25,000.

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

OVERVIEW OF THE SCOPE OF OUR AUDIT

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

The Group operates solely in the United Kingdom and through one segment, investment property. The Group audit team performed all the work necessary to issue the Group and Parent Company audit opinions, including undertaking all of the audit work on the key audit matters.

We consider that the audit procedures we planned and performed in accordance with ISAs (UK) have provided us with reasonable assurance that irregularities, including fraud, would have been detected to the extent that they could have resulted in material misstatements in the financial statements. Our audit was not designed to identify misstatement or other irregularities that would not be considered to be material to the financial statements.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included 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.

The table below shows the key audit matters that we identified. This is not a complete list of all risks identified by our audit. While the operations of the Group remain largely unchanged from the prior year we have added one further key audit matter as regards the completeness of property costs that are covered in greater detail below.

The Audit Committee's consideration of the judgements set out in this section is set out on pages 50 and 51.

INDEPENDENT AUDITOR'S REPORT | CONTINUED
TO THE MEMBERS OF EMPIRIC STUDENT PROPERTY PLC

Key audit matter	How the matter was addressed in our audit
Valuation of investment property portfolio, including properties under development totalling £890.6 million (2016: £711.9 million) The valuation of investment property (including properties under development) requires significant judgement and estimates by management and their external valuer and is therefore considered a significant risk due to the subjective nature of certain assumptions inherent in each valuation. The Group's investment portfolio includes: • Operational assets: these are existing properties that are currently let. • Development assets: these are properties being built under forward funded agreements with developers. Such assets have a different risk and investment profile to operational assets. Each valuation requires consideration of the individual nature of the property, its location, its cash flows and comparable market transactions. The valuation of these properties requires the discounting of estimated future cash flows with deductions for costs to complete and an appropriate developer's margin for those under development. Any input inaccuracies or unreasonable bases used in these judgements (such as in respect of estimated rental value and net initial yield applied and estimated costs to complete for assets under development) could result in a material misstatement of the Group Statement of Comprehensive Income or the Group Statement of Financial Position. There is also a risk that management may influence the significant judgements and estimates in respect of property valuations in order to achieve property valuation and other performance targets to meet market expectations or bonus targets. Additionally properties under development may involve licence fees receivable from the developer during the construction phase. Accounting for such assets is typically more complex than for operational assets.	We obtained an understanding of management's approach to the valuation of both investment properties and properties under development. We met with the Group's independent 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 independent external valuer which included making inquiries 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 of all investment properties against our own expectation and challenged those valuations which fell outside of our range of expectation. We agreed a sample of key observable valuation inputs supplied to and used by the external valuer and Directors to supporting documentation, such as current achieved rental rates. 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. We recomputed the licence fee receivable in the year based on the development contract for a sample of development properties and confirmed the licence fee receivable from the developer was excluded from the valuation of the properties under development.
Revenue recognition - student rental income of £49.5 million (Six months to 31 December 2016: £18.3 million) While we do not consider the risk of material misstatement to be significant, owing to the large number of properties and property managers used by the Group, revenue recognition does have a significant impact on the allocation of resource and directing the efforts of the audit team. Rental income is recognised on a straight line basis over the lease term for the Group's operational assets based upon rental agreements that are in place. The Group has several property managers and multiple tenants across its property portfolio. There is a risk that revenue is not supported by underlying tenancy agreements or is inappropriately recognised.	We obtained an understanding of the accounting policy for revenue recognition for student rental income and other revenue streams. We agreed a sample of revenue recognised to rental agreements across the portfolio of operational assets. We performed detailed analytical review procedures over revenue recognised for a sample of properties comparing the expectation based on the prior year as well as current student tenancy schedules to the actual revenue recognised in the year. We tested the deferred income recognised at 31 December 2017 for a sample of student rental units to ensure that income received in advance had been calculated in accordance with the rental contract and cash received.

Key audit matter	How the matter was addressed in our audit
Completeness of property expenses of £22.2 million (Six months to 31 December 2016: £8.2 million) Property costs are recognised in line with when the goods are received or the service is consumed by the Group. The Group incurs and manages property expenses on a property by property basis for each of its properties. The Group uses several property managers and many suppliers which increases the risk over the completeness of the property expenses in any period. While each cost individually is not material, there is an aggregation risk of errors due to under-reporting of expenses.	We obtained an understanding of the accounting policy for recognising property costs as well as an understanding of the controls in place over the recognition and funding of these expenses. We agreed a sample of property expenses recognised during the period to supporting documentation. Each property manager prepared a detailed analysis of the expenses incurred during the year and the accruals at the year end by property and type of expenditure accrued for. We agreed a sample of these accruals across the Group's properties and the type of expense accrued to supporting documentation. We obtained details of expenditure recorded post year end and agreed a sample of items to supporting documentation to confirm whether these costs had been recognised in the appropriate period. We obtained confirmations from each property manager that the costs incurred and accruals recorded were complete for each property. Finally, we reviewed trading results post year end and challenged management on differences in the trading compared with budgets.

INDEPENDENT AUDITOR'S REPORT | CONTINUED
TO THE MEMBERS OF EMPIRIC STUDENT PROPERTY PLC

OTHER MATTER – COMPARATIVE INFORMATION

As disclosed on the Group Statement of Comprehensive Income, the comparative information relating to the twelve month period ended 31 December 2016 is unaudited and is derived from audited financial information for the six months ended 31 December 2016 together with unaudited information relating to the six months period ended 30 June 2016 and previously reported as a comparative period within the interim report and accounts for the year ended 30 June 2017.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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 those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

OTHER INFORMATION

The other information comprises the information included in the annual report set out on pages 1 to 65, including the Strategic Report, the Directors' Report, and the Governance section, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we are required to report by exception if we identify material misstatements in:

- the strategic report or the Directors' report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

We are required 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; or
- a corporate governance statement has not been prepared by the Parent Company.

We have no exceptions to report.

We have a responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable set out on page 65 – the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting set out on pages 50 and 51 – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- Directors' statement of compliance with the UK Corporate Governance Code set out on page 42 – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report from our review.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' Responsibilities Statement set out on page 65, 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilitities. This description forms part of our auditor's report.

OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

Following the recommendation of the audit committee, we were appointed by the board of Directors on 4 August 2015 to audit the financial statements for the year ended 30 June 2015. In respect of the financial year ended 31 December 2017 we were reappointed by resolution of the members of the Company at the annual general meeting held on 25 May 2017. The year of total uninterrupted engagement is four financial years, covering the years ending 30 June 2015 to 31 December 2017.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remained independent of the Group and the Parent Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee that we issued in accordance with ISAs (UK).

Richard Levy (senior statutory auditor)

For and on behalf of BDO LLP, Statutory Auditor

London
United Kingdom
21 March 2018

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 2017 £'000**	Six months to 31 December 2016 £'000	Unaudited year ended 31 December 2016 £'000
Continuing operations				
Revenue	2	**51,205**	19,210	31,415
Property expenses	3	**(22,220)**	(8,152)	(11,587)
Net rental income		**28,985**	11,058	19,828
Administrative expenses	4	**(13,454)**	(5,323)	(9,431)
Change in fair value of investment property	13	**15,836**	14,474	24,806
Gain on disposal of investment property		**1,122**	–	–
Operating profit		**32,489**	20,209	35,203
Finance cost		**(11,882)**	(4,231)	(6,815)
Finance income		**87**	255	782
Net finance costs	5	**(11,795)**	(3,976)	(6,033)
Share of results from joint ventures		**56**	713	1,874
Profit before income tax		**20,750**	16,946	31,044
Corporation tax	7	**–**	–	–
Profit for the year/period		**20,750**	16,946	31,044
Other comprehensive income				
Items that will be reclassified to statement of comprehensive income				
Fair value gain or (loss) on cashflow hedge		**508**	453	(602)
Total comprehensive income for the year/period		**21,258**	17,399	30,442
Earnings per share expressed in pence per share	8			
Basic		**3.84**	3.38	6.51
Diluted		**3.83**	3.35	6.45

GROUP STATEMENT OF FINANCIAL POSITION

	Note	At 31 December 2017 £'000	At 31 December 2016 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	475	509
Intangible assets	12	1,423	1,017
Investment property – Operational Assets	13	848,537	644,510
Investment property – Development Assets	13	42,045	67,380
Investment in joint venture	14	–	4,923
Derivative financial assets	19	1	19
Total non-current assets		892,481	718,358
Current assets			
Trade and other receivables	15	27,792	24,852
Cash and cash equivalents	16	52,721	59,399
Total current assets		80,513	84,251
Total assets		972,994	802,609
LIABILITIES			
Current liabilities			
Trade and other payables	17	22,620	16,033
Borrowings	18	20,767	–
Derivative financial liability	19	424	485
Deferred income	17	22,286	15,760
Total current liabilities		66,097	32,278
Non-current liabilities			
Borrowings	18	277,382	238,718
Derivative financial liability	19	257	748
Total non-current liabilities		277,639	239,466
Total liabilities		343,736	271,744
Total net assets		629,258	530,865
Equity			
Called-up share capital	20	6,029	5,013
Share premium	21	467,268	359,958
Capital reduction reserve	22	75,602	106,198
Retained earnings		80,841	60,686
Cashflow hedge reserve		(482)	(990)
Total equity		629,258	530,865
Total equity and liabilities		972,994	802,609
Net Asset Value per share basic (pence)	9	104.37	105.90
Net Asset Value per share diluted (pence)	9	104.15	105.07
EPRA Net Asset Value per share (pence)	9	104.49	106.15

These financial statements were approved by the Board of Directors on 21 March 2018 and signed on its behalf by:

Lynne Fennah
Chief Financial Officer

COMPANY STATEMENT OF FINANCIAL POSITION

Company Registration Number: 08886906

	Note	At 31 December 2017 £'000	At 31 December 2016 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**475**	509
Intangible assets	12	**491**	127
Investments in subsidiaries	31	**12,571**	5,118
Investment in joint venture	14	**–**	2,965
Total non-current assets		**13,537**	8,719
Current assets			
Trade and other receivables	15	**4,267**	602
Amounts due from Group undertakings	15	**807,451**	651,897
Cash and cash equivalents	16	**17,091**	14,997
Total current assets		**828,809**	667,496
Total assets		**842,346**	676,215
LIABILITIES			
Current liabilities			
Trade and other payables	17	**2,130**	1,639
Amounts due to Group undertakings	17	**306,173**	216,305
Total current liabilities		**308,303**	217,944
Non-current liabilities			
Borrowings	18	**9,933**	–
Total non-current liabilities		**9,933**	–
Total liabilities		**318,236**	217,944
Total net assets		**524,110**	458,271
Equity			
Called-up share capital	20	**6,029**	5,013
Share premium	21	**467,268**	359,958
Capital reduction reserve	22	**75,602**	106,198
Retained earnings		**(24,789)**	(12,898)
Total equity		**524,110**	458,271
Total equity and liabilities		**824,346**	676,215

The Company made a loss for the year of £11,296,000 (six months to December 2016 loss of: £4,619,000).

These financial statements were approved by the Board of Directors on 21 March 2018 and signed on its behalf by:

Lynne Fennah
Chief Financial Officer

GROUP STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017	Called-up share capital £'000	Share premium £'000	Capital reduction reserve £'000	Retained earnings £'000	Cash flow hedge reserve £'000	Total equity £'000
Balance at 1 January 2017	5,013	359,958	106,198	60,686	(990)	530,865
Changes in equity						
Profit for the year	–	–	–	20,750	–	20,750
Fair value gain on cash flow hedge	–	–	–	–	508	508
Total comprehensive income for the year	–	–	–	20,750	508	21,258
Issue of share capital	1,009	108,991	–	–	–	110,000
Share options exercised	7	749	–	(756)	–	–
Share issue costs	–	(2,430)	–	–	–	(2,430)
Share-based payments	–	–	–	161	–	161
Dividends	–	–	(30,596)	–	–	(30,596)
Total contributions and distribution recognised directly in equity	1,016	107,310	(30,596)	(595)	–	77,135
Balance at 31 December 2017	6,029	467,268	75,602	80,841	(482)	629,258
Period ended 31 December 2016						
Balance at 1 July 2016	5,013	359,958	121,236	43,345	(1,443)	528,109
Changes in equity						
Profit for the period	–	–	–	16,946	–	16,946
Fair value gain on cash flow hedge	–	–	–	–	453	453
Total comprehensive income for the period	–	–	–	16,946	453	17,399
Share-based payments	–	–	–	395	–	395
Dividends	–	–	(15,038)	–	–	(15,038)
Total contributions and distribution recognised directly in equity	–	–	(15,038)	395	–	(14,643)
Balance at 31 December 2016	5,013	359,958	106,198	60,686	(990)	530,865

COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017	Called-up share capital £'000	Share premium £'000	Capital reduction reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2017	5,013	359,958	106,198	(12,898)	458,271
Changes in equity					
Loss for the year	–	–	–	(11,296)	(11,296)
Total comprehensive loss for the year	–	–	–	(11,296)	(11,296)
Issue of share capital	1,009	108,991	–	–	110,000
Share options exercised	7	749	–	(756)	–
Share issue costs	–	(2,430)	–	–	(2,430)
Share-based payments	–	–	–	161	161
Dividends	–	–	(30,596)	–	(30,596)
Total contributions and distribution recognised directly in equity	1,016	107,310	(30,596)	(595)	77,135
Balance at 31 December 2017	6,029	467,268	75,602	(24,789)	524,110
Period ended 31 December 2016					
Balance at 1 July 2016	5,013	359,958	121,236	(8,674)	477,533
Changes in equity					
Loss for the period	–	–	–	(4,619)	(4,619)
Total comprehensive loss for the period	–		–	(4,619)	(4,619)
Share-based payments	–	–	–	395	395
Dividends	–	–	(15,038)	–	(15,038)
Total contributions and distribution recognised directly in equity	–	–	(15,038)	395	(14,643)
Balance at 31 December 2016	5,013	359,958	106,198	(12,898)	458,271

GROUP STATEMENT OF CASH FLOWS

	Year ended 31 December 2017 £'000	Six months to 31 December 2016 £'000
Cash flows from operating activities		
Profit before income tax	20,750	16,946
Share-based payments	161	395
Depreciation and amortisation	251	73
Finance income	(87)	(255)
Finance costs	11,882	4,231
Share of results from joint venture	(56)	(713)
Change in fair value of investment property	(15,836)	(14,474)
Gain on disposal of investment property	(1,122)	–
	15,943	6,203
Increase in trade and other receivables	(3,003)	(6,135)
Increase in trade and other payables	1,959	1,059
Increase in deferred rental income	6,526	11,342
	5,482	6,266
Net cash flows generated from operations	21,425	12,469
Cash flows from investing activities		
Purchases of tangible fixed assets	(88)	(240)
Purchases of intangible assets	(535)	(325)
Investments in joint ventures	–	(13)
Purchase of investment property	(154,479)	(183,222)
Disposal of investment property	2,000	–
Interest received	87	254
Net cash flows from investing activities	(153,015)	(183,546)
Cash flows from financing activities		
Share issue proceeds	110,000	–
Share issue costs	(2,430)	–
Dividends paid	(30,596)	(15,038)
Bank borrowings drawn	69,446	97,346
Bank borrowings repaid	(9,534)	(9,286)
Loan arrangement fees paid	(2,016)	(2,789)
Finance cost (excluding fair value loss on derivatives)	(9,958)	(3,680)
Net cash flows from financing activities	124,912	66,553
Increase in cash and cash equivalents	(6,678)	(104,524)
Cash and cash equivalents at beginning of period	59,399	163,923
Cash and cash equivalents at end of period	52,721	59,399

COMPANY STATEMENT OF CASH FLOWS

	Year ended 31 December 2017 £'000	Six months to 31 December 2016 £'000
Cash flows from operating activities		
Loss before income tax	(11,296)	(4,619)
Share-based payments	161	395
Depreciation and amortisation	159	28
Finance income	(43)	(227)
Finance costs	197	–
	(10,822)	(4,423)
Increase in trade and other receivables	(3,665)	(91)
Increase/(decrease) in trade and other payables	544	(42)
	(3,121)	(133)
Net cash flows absorbed by operations	(13,943)	(4,556)
Cash flows from investing activities		
Purchases of tangible fixed assets	(88)	(404)
Purchases of intangible assets	(401)	(127)
Investments in subsidiaries	(4,650)	(1)
Investments in joint ventures	–	(13)
Payments to/on behalf of subsidiaries	89,868	(196,358)
Repayments from subsidiaries	(155,498)	87,448
Interest received	43	227
Net cash flows from investing activities	(70,726)	(109,228)
Cash flows from financing activities		
Share issue proceeds	110,000	–
Share issue costs	(2,430)	–
Dividends paid	(30,596)	(15,038)
Bank borrowings drawn	10,000	–
Loan arrangement fee paid	(93)	–
Finance cost (excluding fair value loss on derivatives)	(118)	–
Net cash flows from financing activities	86,763	(15,038)
Increase in cash and cash equivalents	2,094	(128,822)
Cash and cash equivalents at beginning of period	14,997	143,819
Cash and cash equivalents at end of period	17,091	14,997

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 2017 to 31 December 2017.

1.2 Basis of Preparation

The consolidated financial statements of the Group for the year to 31 December 2017 comprise the results of Empiric Student Property plc (the "Company") and its subsidiaries (together, the "Group"). These financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and as adopted by the European Union.

The Group 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 £11,296,000 (six month period ended 31 December 2016: £4,619,000) for the Company, which is reflected in the financial statements of the Company.

1.3 Going Concern

The consolidated financial statements have been prepared on a going concern basis as discussed in the Director's Report on page 63.

1.4 Significant Accounting Judgements, Estimates and Assumptions

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

Judgements

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

(a) Fair Valuation of Investment Property

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

The valuations have been prepared in accordance with the 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.

(b) Operating Lease Contracts – the Group as Lessor

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

(c) Fair Valuation of Interest Derivatives

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

(d) Business Combinations

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

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

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 2017. 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.

NOTES TO THE FINANCIAL STATEMENTS | CONTINUED

1. ACCOUNTING POLICIES | CONTINUED

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 – Loans and Receivables
The Group classifies its financial assets into one of the categories required by the accounting standards, depending on the purpose for which the asset was acquired. The Group has not classified any of its financial assets as "held to maturity".

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently impaired if there is doubt over recovery.

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

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

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

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

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

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

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

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

Cash Flow Hedges
The Group has entered into a derivative contract in order to convert its floating rate debt to a fixed rate to hedge the interest rate risk. This hedging instrument was designated as a cash flow hedge at inception. Changes in fair value of the hedging instrument are recognised in Other Comprehensive Income to the extent that they represent an effective hedge, otherwise fair value changes are recognised as financial costs in the Consolidated Statement of Comprehensive Income.

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

Amortisation has been charged to the Consolidated Statement of Comprehensive Income on a straight-line basis over ten years, except for the Hello Student® Application, which is being amortised on a straight-line basis over five years due to the nature of the asset.

1. ACCOUNTING POLICIES | CONTINUED

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 results in either gains or losses at the retirement or disposal of investment property. Any gains or losses are recognised in the Consolidated Statement of Comprehensive Income in the period of retirement or disposal.

Joint Ventures

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

The Group classifies its interests in joint arrangements as either:

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

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

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

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

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

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

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

Operating Leases

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

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;
- Computer equipment: straight-line basis over three years.

Rental Income

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

Tenant lease incentives are recognised as a reduction of rental revenue on a straight-line basis over the term of the lease. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the Directors are reasonably certain that the tenant will not 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.

NOTES TO THE FINANCIAL STATEMENTS | CONTINUED

1. ACCOUNTING POLICIES | CONTINUED

Rent and Other Receivables

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

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 Real Estate Investment Trust ("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 Consolidated Statement of Comprehensive Income except to the extent that it relates to items recognised as direct movement in equity, in which case it is also recognised as a direct movement in equity.

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

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

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

1.5 Accounting Standards and Interpretations Issued but Not Yet Effective

At the date of authorisation of these financial statements, the following accounting standards had been issued which are not yet applicable to the Group:

IFRS 9 – Financial Instruments (effective periods beginning 1 January 2018)

The Group has assessed the impact of the new standard on the Group's results and financial position.

The Group does not expect any material impact on its financial assets. These are held at amortised cost currently and the Group does not consider a change in this basis of measurement. The Group has determined that there is no material impact on moving to the expected credit loss model on the date of transition as generally income from students is received in advance.

The Group has assessed the impact on financial liabilities under the new standard and again does not foresee a material impact.

The key impact to the Company will be the impact on amounts due from Group undertakings. These balances are interest free and repayable on demand, which are used to fund asset purchases. Under IFRS 9, an 'expected loss' impairment model applies which requires a loss allowance to be recognised based on expected credit losses. The Group does not consider that there is any material impairment as the Group undertakings would in theory be able to generate sufficient cash from the operation and/or the proceeds of a sale of their investment properties in order to repay any amounts due. As a result, no cash loss is anticipated. At the present time there is no necessity for these Group undertakings to sell any investment properties and these amounts have not been demanded.

There may however be limited changes to presentation and disclosure for both the Group and the Company.

IFRS 15 – Revenue from Contracts with Customers (effective periods beginning 1 January 2018)

The new standard combines a number of previous standards, setting out a new model for the recognition of revenue. The Group has assessed this new five-step recognition model and there will not be a material impact on the Group due to the simple structure of its rental leases.

1. ACCOUNTING POLICIES | CONTINUED

IFRS 16 – Leases (effective periods beginning 1 January 2019)

As Lessee

The Group's lease commitment for head office space will be brought onto the statement of financial position together with the corresponding asset. The expected impact has will be less than 0.3% of gross assets and so will not be material to the Group.

As Lessor

The Group's accounting for lessors will not materially change as the Group only holds short-term operating leases.

Other Amendments

Additionally, amendments to existing standards have been issued by the IASB, including:

- IFRS 2 (amendments) 'Classification and Measurement of Share-Based Payment Transactions'
- IAS 7 (amendments) 'Disclosure Initiative'
- IAS 12 (amendments) 'Recognition of Deferred Tax Assets for Unrealised Losses'
- IFRS 10 and IAS 28 (amendments) 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'

The Directors do not consider that these amendments will materially impact the financial statements.

2. REVENUE

	Group	
	Year ended 31 December 2017 £'000	*Six months to 31 December 2016 £'000*
Student rental income	***49,450***	*18,320*
Commercial rental income	***1,755***	*890*
Total revenue	***51,205***	*19,210*

3. PROPERTY EXPENSES

	Group	
	Year ended 31 December 2017 £'000	*Six months to 31 December 2016 £'000*
Direct site costs	***8,563***	*3,143*
Technology services	***1,001***	*358*
Site office and utilities	***8,500***	*2,000*
Cleaning and service contracts	***2,611***	*991*
Repairs and maintenance	***1,545***	*1,660*
Total property expenses	***22,220***	*8,152*

4. ADMINISTRATIVE EXPENSES

	Group	
	Year ended 31 December 2017 £'000	*Six months to 31 December 2016 £'000*
Salaries and Directors' remuneration	***4,256***	*2,018*
Legal and professional fees	***4,546***	*1,148*
Other administrative costs	***2,295***	*1,179*
IT expenses	***414***	*–*
Irrecoverable VAT	***1,578***	*717*
	13,089	*5,062*
Auditor's fees		
Fees payable for the audit of the Group's annual accounts	***200***	*175*
Fees payable for the review of the Group's interim accounts	***40***	*–*
Fees payable for the audit of the Group's subsidiaries	***125***	*86*
Total auditor's fees	***365***	*261*
Total administrative expenses	***13,454***	*5,323*

The Auditor has also received £80,000 (2016: £nil) in respect of providing reporting accountant services in connection with the equity issue in July 2017. The fees relating to the share issue have been treated as share issue expenses and offset against share premium account.

NOTES TO THE FINANCIAL STATEMENTS | CONTINUED

5. NET FINANCE COST

	Group	
Finance costs	***Year ended 31 December 2017 £'000***	*Six months to 31 December 2016 £'000*
Fair value loss on interest rate cap	***18***	*–*
Interest expense on bank borrowings	***10,330***	*3,680*
Amortisation of loan transaction costs	***1,534***	*551*
	11,882	*4,231*
Finance income		
Fair value gain on interest rate swap	***43***	*–*
Fair value gain on interest rate cap	***–***	*1*
Interest received on bank deposits	***44***	*254*
	87	*255*
Net finance cost	***11,795***	*3,976*

6. EMPLOYEES AND DIRECTORS

	Group		Company	
	Year ended 31 December 2017 £'000	*Six months to 31 December 2016 £'000*	***Year ended 31 December 2017 £'000***	*Six months to 31 December 2016 £'000*
Total wages and salaries	***5,353***	*1,469*	***3,479***	*1,021*
Less: capitalised salary costs	***–***	*(31)*	***–***	*(31)*
Less: Hello Student® wages and salaries included in property expenses	***(2,005)***	*(448)*	***–***	*–*
Total wages and salaries included in administrative expenses	***3,348***	*990*	***3,479***	*990*
Pension costs	***245***	*134*	***114***	*134*
Cash bonus	***91***	*164*	***91***	*164*
Share-based payments	***161***	*395*	***161***	*395*
National insurance	***411***	*335*	***411***	*335*
	4,256	*2,018*	***4,256***	*2,018*
The average monthly number of employees of the Group during the period was as follows:				
Management	***4***	*3*	***4***	*3*
Administration – ESP	***21***	*21*	***21***	*21*
Administration – Hello Student®[1]	***113***	*57*	***–***	*–*
	138	*81*	***25***	*24*

1 This number includes Community Ambassadors.

	Group and Company	
Directors' remuneration	***Year ended 31 December 2017 £'000***	*Six months to 31 December 2016 £'000*
Salaries and fees	***1,147***	*625*
Pension costs	***131***	*74*
Cash bonus	***38***	*164*
Share-based payments	***161***	*395*
Payments for loss of office	***690***	*–*
	2,167	*1,258*

£nil (2016: £31,000) of wages and salaries are directly related to the costs necessary to develop the Hello Student® application and NAVision software and have therefore been capitalised within intangible assets.

A summary of the Directors' emoluments, including payments for loss of office, and including the disclosures required by the Companies Act 2006 is set out in the Directors' Remuneration Report on pages 53 to 62.

7. CORPORATION TAX

The Group became a Real Estate Investment Trust ("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 2017.

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 2017 £'000	*Six months to 31 December 2016 £'000*
Current tax	–	–
Income tax charge/(credit) for the period	–	–
Adjustment in respect of prior period	–	–
Total current income tax charge/(credit) in the income statement	–	–
Deferred tax		
Total deferred income tax charge/(credit) in the income statement	–	–
Total current income tax charge/(credit) in the income statement	–	–

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

	Group	
	Year ended 31 December 2017 £'000	*Ssix months to 31 December 2016 £'000*
Profit for the period	***20,750***	*16,946*
Profit before tax multiplied by the rate of corporation tax in the UK of 19.25% (2016: 20.00%)	***3,994***	*3,389*
Exempt property rental profits in the period	***(3,526)***	*(856)*
Exempt property revaluations in the period	***(3,049)***	*(2,895)*
Effects of:		
Non-allowable expenses	***310***	*15*
Residual property revaluations in the year	–	–
Unutilised current year tax losses	***2,271***	*347*
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 £2,271,000 (31 December 2016: £347,000) will be recognised to the extent that their utilisation is probable. On the basis that the residual business is not expected to be income generating in future periods, a deferred tax asset of £3,222,000 (2016: £951,000) has not been recognised in respect of such losses.

NOTES TO THE FINANCIAL STATEMENTS | CONTINUED

8. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential ordinary shares.

Reconciliations are set out below:

	Calculation of Basic EPS £'000	*Calculation of Diluted EPS £'000*	*Calculation of EPRA Basic EPS £'000*	*Calculation of EPRA Diluted EPS £'000*	*Calculation of Adjusted Basic EPS £'000*
Year to 31 December 2017					
Profit for the year	***20,750***	***20,750***	***20,750***	***20,750***	***20,750***
Adjustment to include licence fee receivable on forward funded developments in the year	–	–	–	–	***2,633***
Adjustment to include development rebate on forward funded developments in the year	–	–	–	–	***1,166***
Adjustment to include discounts on acquisition due to rental guarantees in the year	–	–	–	–	***1,346***
Adjustments to remove:					
Changes in fair value of investment properties (Note 13)	–	–	***(15,836)***	***(15,836)***	***(15,836)***
Gain on disposal of investment property	–	–	***(1,122)***	***(1,122)***	–
Changes in fair value of interest rate derivatives (Note 19)	–	–	***18***	***18***	***18***
Earnings/Adjusted Earnings	***20,750***	***20,750***	***3,810***	***3,810***	***10,077***
Weighted average number of shares ('000)	***540,521***	***540,521***	***540,521***	***540,521***	***540,521***
Adjustment for employee share options ('000)	–	***1,287***	–	***1,287***	–
Total number shares ('000)	***540,521***	***541,808***	***540,521***	***541,808***	***540,521***
Per-share amount (pence)	***3.84***	***3.83***	***0.70***	***0.70***	***1.86***
Period to 31 December 2016					
Profit for the period	*16,946*	*16,946*	*16,946*	*16,946*	*16,946*
Adjustment to include licence fee receivable on forward funded developments in the period	–	–	–	–	*1,201*
Adjustment to include development rebate on forward funded developments in the period	–	–	–	–	*496*
Adjustments to remove:					
Changes in fair value of investment properties (Note 13)	–	–	*(14,474)*	*(14,474)*	*(14,474)*
Changes in fair value of share of joint venture investment	–	–	*(557)*	*(557)*	*(557)*
Changes in fair value of interest rate derivatives (Note 19)	–	–	*(1)*	*(1)*	*(1)*
Earnings/Adjusted Earnings	*16,946*	*16,946*	*1,914*	*1,914*	*3,616*
Weighted average number of shares ('000)	*501,279*	*501,279*	*501,279*	*501,279*	*501,279*
Adjustment for employee share options ('000)	–	*3,990*	–	*3,990*	–
Total number shares ('000)	*501,279*	*505,269*	*501,279*	*505,269*	*501,279*
Per-share amount (pence)	*3.38*	*3.35*	*0.38*	*0.38*	*0.72*

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

EPRA EPS, reported on the basis recommended for real estate companies by the European Public Real Estate Association, 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, 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.

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

The development rebate is due from developers in relation to late completion on forward funded developments 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.

Gains on disposal are the cumulative gains made at the point of disposal.

9. NET ASSET VALUE PER SHARE (NAV)

Basic NAV per share is calculated by dividing net assets in the Consolidated Statement of Financial Position attributable to ordinary shareholders of the Parent by the number of ordinary shares outstanding at the end of the period.

EPRA NAV is calculated as net assets per the Consolidated Statement of Financial Position excluding fair value adjustments for debt related derivatives.

EPRA NNNAV is the EPRA NAV adjusted to include the fair values of financial instruments and debt.

Net asset values have been calculated as follows:

	Group	
	31 December 2017 £'000	*31 December 2016 £'000*
Net assets per Statement of Financial Position	***629,258***	*530,865*
Adjustment to exclude the fair value loss of financial instruments	***700***	*1,232*
EPRA NAV	***629,958***	*532,097*
Adjustment to include the fair value of debt	***(11,399)***	*(11,285)*
Adjustment to include the fair value loss of financial instruments	***(700)***	*(1,232)*
EPRA NNNAV	***617,859***	*519,580*
Ordinary shares	***Number***	*Number*
Issued share capital	***602,887,740***	*501,279,071*
Issued share capital plus employee options	***604,175,057***	*505,269,491*
	Pence	*Pence*
NAV per share basic	***104.37***	*105.90*
NAV per share diluted	***104.15***	*105.07*
EPRA NAV per share basic	***104.49***	*106.15*
EPRA NAV per share diluted	***104.27***	*105.31*
EPRA NNNAV per share basic	***102.48***	*103.65*
EPRA NNNAV per share diluted	***102.26***	*102.83*

10. DIVIDENDS PAID

	Group and Company	
	Year ended 31 December 2017 £'000	*Period ended 31 December 2016 £'000*
Interim dividend in respect of period ended 30 June 2016 at 1.5 pence per ordinary share	–	*7,519*
Interim dividend of 1.5 pence per ordinary share in respect of the quarter ended 30 September 2016	–	*7,519*
Interim dividend of 1.55 pence per ordinary share in respect of the quarter ended 31 December 2016	***7,770***	–
Interim dividend of 1.525 pence per ordinary share in respect of the quarter ended 31 March 2017	***7,645***	–
Interim dividend of 1.525 pence per ordinary share in respect of the quarter ended 30 June 2017	***7,645***	–
Interim dividend of 1.25 pence per ordinary share in respect of the quarter ended 30 September 2017	***7,536***	–
	30,596	*15,038*

On 26 February 2018, the Company announced the declaration of a final interim dividend in respect of the financial year ended 31 December 2017, of 1.25 pence per ordinary share amounting to £7.5 million, which will be paid on 23 March 2018 to ordinary shareholders.

11. FIXED ASSETS

	Group			*Company*		
Year ended 31 December 2017	*Fixtures and fittings £'000*	*Computer equipment £'000*	*Total £'000*	*Fixtures and fittings £'000*	*Computer equipment £'000*	*Total £'000*
Costs						
As at 1 January 2017	*455*	*127*	*582*	*455*	*127*	*582*
Additions	*35*	*53*	*88*	*35*	*53*	*88*
As at 31 December 2017	*490*	*180*	*670*	*490*	*180*	*670*
Depreciation						
As at 1 January 2017	*42*	*31*	*73*	*42*	*31*	*73*
Charge for the year	*66*	*56*	*122*	*66*	*56*	*122*
As at 31 December 2017	*108*	*87*	*195*	*108*	*87*	*195*
Net book value						
As at 31 December 2017	*382*	*93*	*475*	*382*	*93*	*475*

NOTES TO THE FINANCIAL STATEMENTS | CONTINUED

11. FIXED ASSETS | CONTINUED

Period ended 31 December 2016	Group: Fixtures and fittings £'000	Group: Computer equipment £'000	Group: Total £'000	Company: Fixtures and fittings £'000	Company: Computer equipment £'000	Company: Total £'000
Costs						
As at 1 July 2016	242	140	382	94	84	178
Additions	460	43	503	361	43	404
Transfer to Investment Property	(247)	(56)	(303)	–	–	–
As at 31 December 2016	455	127	582	455	127	582
Depreciation						
As at 1 July 2016	54	31	85	29	16	45
Charge for the period	13	15	28	13	15	28
Depreciation on assets transferred to Investment Property	(25)	(15)	(40)	–	–	–
As at 31 December 2016	42	31	73	42	31	73
Net book value						
As at 31 December 2016	413	96	509	413	96	509

12. INTANGIBLE ASSETS

Year ended 31 December 2017	**Group: Hello Student® Application Development £'000**	**Group: Hello Student® Website Development £'000**	**Group: NAVision Development £'000**	**Group: Total £'000**	**Company: Hello Student® Application Development £'000**	**Company: Hello Student® Website Development £'000**	**Company: NAVision Development £'000**	**Company: Total £'000**
Costs								
As at 1 January 2017	**187**	**792**	**127**	**1,106**	**–**	**–**	**127**	**127**
Additions	**124**	**10**	**401**	**535**	**–**	**–**	**401**	**401**
As at 31 December 2017	**311**	**802**	**528**	**1,641**	**–**	**–**	**528**	**528**
Amortisation								
As at 1 January 2017	**–**	**89**	**–**	**89**	**–**	**–**	**–**	**–**
Charge for the year	**16**	**76**	**37**	**129**	**–**	**–**	**37**	**37**
As at 31 December 2017	**16**	**165**	**37**	**218**	**–**	**–**	**37**	**37**
Net book value								
As at 31 December 2017	**295**	**637**	**491**	**1,423**	**–**	**–**	**491**	**491**

Period ended 31 December 2016	Group: Hello Student® Application Development £'000	Group: Hello Student® Website Development £'000	Group: NAVision Development £'000	Group: Total £'000	Company: Hello Student® Application Development £'000	Company: Hello Student® Website Development £'000	Company: NAVision Development £'000	Company: Total £'000
Costs								
As at 1 July 2016	–	781	–	781	–	–	–	–
Additions	187	11	127	325	–	–	127	127
As at 31 December 2016	187	792	127	1,106	–	–	127	127
Amortisation								
As at 1 July 2016	–	44	–	44	–	–	–	–
Charge for the period	–	45	–	45	–	–	–	–
As at 31 December 2016	–	89	–	89	–	–	–	–
Net book value								
As at 31 December 2016	187	703	127	1,017	–	–	127	127

13. INVESTMENT PROPERTY

Year ended 31 December 2017	Group Investment properties freehold £'000	Investment properties long leasehold £'000	Total operational assets £'000	Properties under development £'000	Total investment property £'000
As at 1 January 2017	564,882	79,628	644,510	67,380	711,890
Property additions	77,846	7,890	85,736	77,935	163,671
Disposals	–	–	–	(815)	(815)
Transfer of completed developments	82,305	23,938	106,243	(106,243)	–
Change in fair value during the year	10,322	1,726	12,048	3,788	15,836
As at 31 December 2017	735,355	113,182	848,537	42,045	890,582

Period ended 31 December 2016	Group Investment properties freehold £'000	Investment properties long leasehold £'000	Total operational assets £'000	Properties under development £'000	Total investment property £'000
As at 1 July 2016	368,260	75,180	443,440	70,754	514,194
Property additions	151,036	1,658	152,694	30,528	183,222
Transfer of completed developments	40,495	–	40,495	(40,495)	–
Change in fair value during the period	5,091	2,790	7,881	6,593	14,474
As at 31 December 2016	564,882	79,628	644,510	67,380	711,890

During the year £17,637,000 (31 December 2016: £4,917,000) of additions related to expenditure on existing 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 valuers, and has been prepared as at 31 December 2017, in accordance with the RICS Valuation – Professional Standards January 2014 (the "Red Book"). Properties have been valued on an individual basis. This value has been incorporated into the financial statements.

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

The table below reconciles 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 period end.

	Group As at 31 December 2017 £'000	As at 31 December 2016 £'000
Value per independent valuation report	890,110	721,345
Less:		
Investment in joint ventures	–	(9,455)
	890,110	711,890
Add:		
Head leases	472	–
Fair value per Group Statement of Financial Position	890,582	711,890

Fair Value Hierarchy

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

Date of valuation 31 December 2017	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	865,870	–	–	865,870
Commercial properties	24,240	–	–	24,240
As at 31 December 2017	890,110	–	–	890,110

NOTES TO THE FINANCIAL STATEMENTS I CONTINUED

13. INVESTMENT PROPERTY I CONTINUED

Date of valuation 31 December 2016	*Total £'000*	*Quoted prices in active markets (Level 1) £'000*	*Significant observable inputs (Level 2) £'000*	*Significant unobservable inputs (Level 3) £'000*
Assets measured at fair value:				
Student properties	*688,390*	–	–	*688,390*
Commercial properties	*23,500*	–	–	*23,500*
As at 31 December 2016	*711,890*	–	–	*711,890*

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

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

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

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

(a) Unobservable input: Rental income
The rent at which space could be let in the market conditions prevailing at the date of valuation.
Range £95 per week–£347 per week (31 December 2016: £89–£337 per week).

(b) Unobservable input: Rental growth
The estimated average increase in rent based on both market estimations and contractual arrangements.
Assumed growth of 3.08% used in valuations (31 December 2016: 2.16%).

(c) Unobservable input: Net initial yield
The net initial yield is defined as the initial gross income as a percentage of the market value (or purchase price as appropriate) plus standard costs of purchase.
Range: 4.65%–6.30% (31 December 2016: 5.20%–6.80%).

(d) Unobservable input: Physical condition of the property

(e) Unobservable input: Planning consent
No planning enquiries undertaken for any of the development properties.

(f) Sensitivities of measurement of significant unobservable inputs
As set out in the significant accounting estimates and judgements the Group's portfolio valuation is open to judgements and is inherently subjective by nature.

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

As at 31 December 2017	***-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	***(36,260)***	***36,260***	***42,070***	***(38,500)***

As at 31 December 2016	*-3% Change in Rental Income £'000*	*+3% Change in Rental Income £'000*	*-0.25% Change in Yield £'000*	*+0.25% Change in Yield £'000*
(Decrease)/increase in the fair value of the investment properties	*(30,320)*	*29,590*	*34,230*	*(31,350)*

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

14. JOINT VENTURES

In March 2017, the Group bought Revcap Advisors Limited's 50% share of the Glasgow joint venture, Empiric (Glasgow) Limited for £4,650,000. At the date of this transaction, this joint venture had external debt of £9,534,000 which was repaid to the lender.

Additions of investment property of £18,707,000 were recognised. This acquisition of Willowbank (and the full valuation) is reflected in the investment property movement for the year.

15. TRADE AND OTHER RECEIVABLES

	Group		Company	
	31 December 2017 £'000	31 December 2016 £'000	**31 December 2017 £'000**	31 December 2016 £'000
Trade receivables	**470**	729	**–**	11
Other receivables	**2,412**	6,346	**154**	85
Amounts owed by property managers	**10,777**	9,743	**3,881**	–
Prepayments	**11,318**	5,591	**225**	506
VAT recoverable	**2,815**	2,443	**7**	–
	27,792	24,852	**4,267**	602
Amounts due from Group undertakings	**–**	–	**807,451**	651,897
	27,792	24,852	**811,718**	652,499

At 31 December 2017, there were no material trade receivables overdue at the year end, no aged analysis of trade receivables has been included. The Directors consider that the carrying values of trade and other receivables approximate to their fair value.

Amounts due from Group undertakings are interest free and due on demand.

16. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	31 December 2017 £'000	31 December 2016 £'000	**31 December 2017 £'000**	31 December 2016 £'000
Cash and cash equivalents	**52,721**	59,399	**17,091**	14,997

17. TRADE AND OTHER PAYABLES

	Group		Company	
	31 December 2017 £'000	31 December 2016 £'000	**31 December 2017 £'000**	31 December 2016 £'000
Trade payables	**2,376**	1,974	**484**	–
Other payables	**3,950**	3,362	**274**	640
Accrued expenses	**16,122**	10,080	**1,200**	382
Directors' bonus accrual	**172**	617	**172**	617
	22,620	16,033	**2,130**	1,639
Amounts owed to Group undertakings	**–**	–	**306,173**	216,305
	22,620	16,033	**308,303**	217,944

At 31 December 2017, there was deferred rental income of £22,286,000 (31 December 2016: £15,760,000) which was rental income that had been booked that relates to future periods.

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

Amounts due to Group undertakings are interest free and repayable on demand.

18. BANK BORROWINGS

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

	Group					
	Bank borrowings drawn 31 Dec 2017 £'000	**Bank borrowings undrawn 31 Dec 2017 £'000**	**Total 31 Dec 2017 £'000**	Bank borrowings drawn 31 Dec 2016 £'000	Bank borrowings undrawn 31 Dec 2016 £'000	Total 31 Dec 2016 £'000
At 1 January 2017	**243,917**	**66,113**	**310,030**	155,857	60,773	216,630
Bank borrowings from new facilities in the period	**10,000**	**70,000**	**80,000**	97,346	–	97,346
Bank borrowings assumed on acquisition of joint venture	**9,534**	**–**	**9,534**	–	–	–
Bank borrowings drawn in the period	**49,912**	**(49,912)**	**–**	(9,286)	–	(9,286)
Bank borrowings repaid during the period	**(9,534)**	**–**	**(9,534)**	–	5,340	5,340
At 31 December 2017	**303,829**	**86,201**	**390,030**	243,917	66,113	310,030

NOTES TO THE FINANCIAL STATEMENTS | CONTINUED

18. BANK BORROWINGS | CONTINUED

The Group has entered into two new separate banking facilities during the year and drawn down on two existing available facilities. A total of £59,912,000 (31 December 2016: £97,346,000) of additional debt was drawn whilst having an undrawn debt facility available of £86,201,000 at 31 December 2017 (31 December 2016: £66,113,000). The weighted average term to maturity of the Group's debt as at the year end is 6.71 years (31 December 2016: 7.5 years).

Bank borrowings are secured by charges over individual investment properties held by certain asset-holding subsidiaries. These assets have a fair value of £829,765,000 at 31 December 2017 (31 December 2016: £573,015,000). In some cases, the lenders also hold charges over the shares of the subsidiaries and the intermediary holding companies of those subsidiaries.

The Company entered into a new facility during the year for £10,000,000 which it fully drew down. As at 31 December 2017 there were £67,000 of unamortised loan fees. The loan is due to be repaid during the year ended 31 December 2020.

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

	Group	
Non-Current	***31 December 2017 £'000***	*31 December 2016 £'000*
Balance brought forward	***243,917***	*155,857*
Total bank borrowings in the period	***69,446***	*97,346*
Less: Bank borrowings becoming current in the period	***(21,190)***	–
Less: Bank borrowings repaid during the period	***(9,534)***	*(9,286)*
Bank borrowings drawn: due in more than one year	***282,639***	*243,917*
Less: Unamortised costs	***(5,257)***	*(5,199)*
Bank borrowings due in more than one year	***277,382***	*238,718*

	Group	
Current	***31 December 2017 £'000***	*31 December 2016 £'000*
Balance brought forward	–	–
Bank borrowings becoming current in the period	***21,190***	–
Bank borrowings drawn: due in less than one year	***21,190***	–
Less: Unamortised costs	***(423)***	–
Bank borrowings due in less than one year	***20,767***	–

Maturity of Bank Borrowings

	Group	
	31 December 2017 £'000	*31 December 2016 £'000*
Repayable between one and two years	***55,500***	*23,117*
Repayable between two and five years	***36,039***	*35,500*
Repayable in over five years	***191,100***	*185,300*
Bank borrowings drawn: due in more than one year	***282,639***	*243,917*

Each of the Group's facilities has an interest charge which is payable quarterly. Three of the facilities have an interest charge that is based on a margin above Libor whilst the other five facility interest charges are fixed at 3.97%, 3.52%, 3.24%, 3.64% and 2.51%. The weighted average margin payable by the Group on its debt portfolio as at the period end was 3.25% (31 December 2016: 3.46%).

19. INTEREST RATE DERIVATIVES

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

On the 24 October 2014 a derivative swap contract was taken out to hedge the interest rate risk on long-term debt of £35.5 million. The change in valuation of this derivative at 31 December 2017 was £0.5 million gain (31 December 2016: £0.5 million gain) recognised in other comprehensive income. £0.3 million of this derivative liability has been recognised as a non-current liability (31 December 2016: £0.7 million).

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

Fair Value of Derivative Instruments

	31 December 2017 £'000	*31 December 2016 £'000*
Non-current assets: Interest rate derivatives – cap	***1***	*19*
Current liabilities: Interest rate derivatives – swap	***(424)***	*(485)*
Non-current liabilities: Interest rate derivatives – swap	***(257)***	*(748)*

19. INTEREST RATE DERIVATIVES | CONTINUED

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

	31 December 2017 £'000	31 December 2016 £'000
Interest rate cap premium – opening fair value	**19**	18
Changes in fair value of interest rate derivatives	**(18)**	1
Closing fair value	**1**	19

	31 December 2017 £'000	31 December 2016 £'000
Total bank borrowings	**303,829**	243,917
Total fixed borrowings	**(191,100)**	(185,300)
Total floating rate borrowings	**112,729**	58,617
Notional value of borrowings hedged by interest rate derivative – swap	**35,500**	35,500
Proportion of notional value of interest rate swap derivative to floating rate bank borrowings	**31.5%**	60.6%

Fair Value of Debt

	Group		
	Fair Value £'000	Book Value £'000	Fair Value less Book Value £'000
At 31 December 2017	**199,039**	**187,640**	**11,399**
At 31 December 2016	193,092	181,807	11,285

The fair value of the fixed rate debt has been valued by the independent valuation expert, JCRA. The floating rate debt has been excluded as it is assumed the carrying value will be similar to the fair value.

The fair value of these contracts is determined by discounting the future cash flows estimated to be paid or received under these contracts using a valuation technique based on forward rates derived from short-term rates, futures, swap rates and implied option volatility.

Fair Value Hierarchy

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

			Group		
Assets/(liability) measured at fair value:	Date of Valuation	£'000	Quoted prices in active markets (Level 1) £'000	Significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000
	31 December 2017				
Interest rate derivative – cap		**1**	–	**1**	–
Interest rate derivative – swap		**(681)**	–	**(681)**	–
	31 December 2016				
Interest rate derivative – cap		19	–	19	–
Interest rate derivative – swap		(1,232)	–	(1,232)	–

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

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

20. SHARE CAPITAL

Ordinary Shares Issued and Fully Paid at 1p Each

	Group and Company		Group and Company	
	31 December 2017 Number	31 December 2017 £'000	31 December 2016 Number	31 December 2016 £'000
Balance brought forward	**501,279,071**	**5,013**	501,279,071	5,013
Issue in relation to an equity issuance on 24 July 2017	**100,917,432**	**1,009**	–	–
Issue in relation to LTIP equity issuances	**691,237**	**7**	–	–
Balance carried forward	**602,887,740**	**6,029**	501,279,071	5,013

On 24 July 2017 100,917,432 shares of £0.01 were issued at an issue price of £1.09, raising £110,000,000.

On 11 August 2017 (552,990) and 4 October 2017 (138,247), a total of 691,237 ordinary shares of £0.01 were issued as part of the Directors' LTIP. See Note 28 for more detail.

NOTES TO THE FINANCIAL STATEMENTS | CONTINUED

21. SHARE PREMIUM

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

	Group and Company	
	31 December 2017 £'000	31 December 2016 £'000
Balance brought forward	**359,958**	359,958
Share premium on ordinary shares issued in relation to further equity share issuance	**108,991**	–
Costs associated with the issue of ordinary shares	**(2,430)**	–
Share premium on share options exercised	**749**	–
Balance carried forward	**467,268**	359,958

22. CAPITAL REDUCTION RESERVE

	Group and Company	
	31 December 2017 £'000	31 December 2016 £'000
Balance brought forward	**106,198**	121,236
Less interim dividends declared and paid per Note 10	**(30,596)**	(15,038)
Balance carried forward	**75,602**	106,198

The capital reduction reserve account is a distributable reserve.

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

23. LEASING AGREEMENTS

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

	Group	
	31 December 2017 £'000	31 December 2016 £'000
Less than one year	**361**	361
Between one and five years	**1,446**	1,446
More than five years	**1,355**	1,717
Total	**3,162**	3,524

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

	Group	
	31 December 2017 £'000	31 December 2016 £'000
Less than one year	**41,180**	32,834
Between one and five years	**12,648**	12,862
More than five years	**11,887**	10,727
Total	**65,715**	56,423

The above relates to contracted student rent, commercial leases and nomination agreements with UK universities in place as at 31 December 2017. The impact of student leases for the forthcoming academic year signed by 31 December 2017 have not been included as the certainty of income does not arise until the tenant takes occupation of the accommodation.

24. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2017 (31 December 2016: £nil).

25. CAPITAL COMMITMENTS

The Group had capital commitments relating to forward funded developments totalling £22,821,000 at 31 December 2017 (31 December 2016: £61,443,000).

26. RELATED PARTY DISCLOSURES

Key management personnel

Key management personnel are considered to comprise the Board of Directors. Please refer to Note 6 for details of the remuneration for the key management, and page 60 for dividends received by Directors in the year.

26. RELATED PARTY DISCLOSURES | CONTINUED

Share Capital

Share transactions of related parties during the year ended 31 December 2017 were as follows:

Name	*How related*	*No of shares*	*Transaction*	*Date*
Tim Attlee	*Director*	*186,300*	*Disposal*	*19 January 2017*
Paul Hadaway	*Ex-Director*	*276,495*	*Exercised Options*	*11 August 2017*
Tim Attlee	*Director*	*276,495*	*Exercised Options*	*11 August 2017*
Paul Hadaway	*Ex-Director*	*130,521*	*Disposal*	*17 August 2017*
Tim Attlee	*Director*	*130,521*	*Disposal*	*17 August 2017*
Paul Hadaway	*Director*	*46,000*	*Purchased*	*15 September 2017*
Michael Enright	*Ex-Director*	*138,247*	*Exercised Options*	*4 October 2017*
Lynne Fennah	*Director*	*55,400*	*Purchased*	*21 December 2017*

Share-based Payments

On 25 April 2017, nil cost options were granted to Executive Directors in the amounts of:

Paul Hadaway	35,779 shares
Tim Attlee	35,779 shares

On 11 August 2017, Executive Directors exercised vested nil cost options in the amounts of:

Paul Hadaway	276,495 shares
Tim Attlee	276,495 shares

On 4 October 2017, an ex-Executive Director exercised vested nil cost options in the amount of:

Michael Enright	138,247 shares

On 12 December 2017, nil cost options were granted to an Executive Director in the amount of:

Lynne Fennah	135,610 shares

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

Payment for Service

Payments for professional services totalling £150,000 (excluding VAT) were made to Real Estate Venture Capital Management LLP (Revcap). Revcap is deemed to be a related party as one of their employees, Stephen Alston, is a Non-Executive Director of the Company.

Acquisition of Joint Venture Company

On 31 March 2017, the Group acquired the remaining 50% shareholding in Empiric (Glasgow) Limited from the joint venture partner, Revcap Advisors Limited for £4,560,000. Revcap Advisors Limited is a sister company of Real Estate Venture Capital Management LLP.

27. SUBSEQUENT EVENTS

Property Transactions

Edinburgh – King's Stables Road
On 10 January 2018, the Group acquired the freehold land for £5.0 million (excluding costs). The land is part of a forward funded agreement for a 166-bed development.

Falmouth – Ocean Bowl
On 25 January 2018, the Group acquired the freehold land for £1.9 million (excluding costs). The land has planning permission for a 190-bed development.

Southampton – Emily Davies
On 12 February 2018, the Group acquired the freehold of a 240-bed student accommodation scheme in Southampton for £10.6 million (excluding costs). The property is fully occupied and leased by Southampton Solent University ("SSU") on a Full Repairing and Insuring basis until September 2019.

28. SHARE-BASED PAYMENTS

The Company operates three equity-settled share-based remuneration schemes for Executive Directors under the deferred annual bonus, long-term incentive plan and the value delivery plan. The details of the schemes are included in the Remuneration Committee Report on page 59.

Issued

On 25 April 2017, the Company granted nil-cost options over a total of 71,558 (Paul Hadaway 35,779, Tim Attlee 35,779) ordinary shares pursuant to the deferred shares element of the annual bonus awards for the financial period ended 31 December 2016 (the "Annual Bonus Awards").

On 12 December 2017, the Company granted nil-cost options over a total of 135,610 ordinary shares pursuant to the Empiric 2014 Long-Term Incentive Plan (the "2017–2020 LTIP Awards") to Lynne Fennah the Company's Chief Financial Officer.

Exercised

On 11 August 2017 Paul Hadaway and Tim Attlee, Directors of the Company, each exercised vested nil-cost options over 276,495 ordinary shares in the Company ("ordinary shares") pursuant to the Empiric Student Property Plc 2014 Long-Term Incentive Plan (the "Exercise").

NOTES TO THE FINANCIAL STATEMENTS | CONTINUED

28. SHARE-BASED PAYMENTS | CONTINUED

On 4 October 2017, Michael Enright, an ex-Director of the Company, exercised vested nil-cost options over 138,247 ordinary shares in the Company ("ordinary shares") pursuant to the Empiric Student Property Plc 2014 Long-Term Incentive Plan.

None of the nil-cost options are currently exercisable. The weighted average remaining contractual life of these options was 1.5 years (2016: 1.8 years).

During the year to 31 December 2017, the amount recognised relating to the options was £161,000.

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

	Group and Company	
	31 December 2017	*31 December 2016*
Outstanding number brought forward	***3,913,420***	*2,880,391*
Granted during the period	***207,198***	*1,033,029*
Vested & exercised during the period	***(691,237)***	*–*
Lapsed during the period[1]	***(1,951,564)***	*–*
Outstanding number carried forward	***1,477,817***	*3,913,420*

1 A number of these related to past Directors. See pages 59 and 60 for more detail.

The fair value on date of grant for the nil-cost options under the 2017–2020 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 period:

		Annual Bonus Award	*LTIP Awards*
(a)	Weighted average share price at grant date of	*£1.11*	*£1.07*
(b)	Exercise price of	*£nil*	*£nil*
(c)	Contractual life of	*3 years*	*3 years*
(d)	Expected volatility of	*15.60%*	*17.86%*
(e)	Expected dividend yield of	*6.30%*	*8.31%*
(f)	Risk free rate of	*0.79%*	*1.07%*
(g)	The volatility assumption is based on a statistical analysis of daily share prices of comparator companies over the last three years.		
(h)	The TSR performance conditions have been considered when assessing the fair value of the options.		

29. FINANCIAL RISK MANAGEMENT

Financial Instruments

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

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

Risk Management

The Group is exposed to market risk (including interest rate risk), credit risk and liquidity risk.
The Board of Directors oversees the management of these risks.

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

(a) Market Risk

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

The Group monitors its interest rate exposure on a regular basis. A sensitivity analysis performed to ascertain the impact on profit or loss and net assets of a 50 basis point shift upwards in interest rates would result in an increase in finance costs of £386,000 (2016: £116,000).

(b) Credit Risk

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

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

(i) Tenant Receivables

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

29. FINANCIAL RISK MANAGEMENT | CONTINUED

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

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

Credit Ratings (Moody's)	*Long Term*	*Outlook*
AIB Group	*Baa1*	*Positive*
Canada Life	*Aa3*	*Stable*
Mass Mutual	*Aa2*	*Negative*
Royal Bank of Scotland Plc	*Baa3*	*Stable*
Lloyds Bank Plc	*Aa3*	*Stable*

(c) Liquidity Risk

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

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

			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 2017						
Bank borrowings and interest	–	***2,608***	***29,015***	***121,685***	***233,663***	***386,971***
Swap derivatives	–	***123***	***365***	***342***	–	***830***
Trade and other payables	–	***22,620***	–	–	–	***22,620***
	–	***25,351***	***29,380***	***122,027***	***233,663***	***410,421***

			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 2016						
Bank borrowings and interest	–	*2,129*	*6,387*	*94,067*	*217,196*	*319,779*
Swap derivatives	–	*123*	*365*	*830*	–	*1,318*
Trade and other payables	–	*16,033*	–	–	–	*16,033*
	–	*18,285*	*6,752*	*94,897*	*217,196*	*337,130*

			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 2017						
Bank borrowings and interest	–	***54***	***161***	***10,252***	–	***10,467***
Swap derivatives	–	–	–	–	–	–
Trade and other payables	–	***2,130***	–	–	–	***2,130***
	–	***2,184***	***161***	***10,252***	–	***12,597***

			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 2016						
Bank borrowings and interest	–	–	–	–	–	–
Swap derivatives	–	–	–	–	–	–
Trade and other payables	–	*1,639*	–	–	–	*1,639*
	–	*1,639*	–	–	–	*1,639*

30. CAPITAL MANAGEMENT

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

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

Capital consists of ordinary shares, other capital reserves and retained earnings.

NOTES TO THE FINANCIAL STATEMENTS | CONTINUED

31. SUBSIDIARIES

Those subsidiaries listed below are considered to be all subsidiaries of the Company at 31 December 2017, with the shares issued being ordinary shares. All subsidiaries are registered in London at the following address: 6th Floor, Swan House, 17–19 Stratford Place, London, England, W1C 1BQ. In each case the country of incorporation is England and Wales.

	Company	
	31 December 2017 £'000	31 December 2016 £'000
As at 1 January 2017	**5,118**	5,117
Additions in the period	**7,453**	1
Balance at 31 December 2017	**12,571**	5,118

	Status	Ownership	Principal Activity
Brunswick Contracting Limited	Active	100%	Property Contracting
Empiric (Alwyn Court) Limited	Active	100%	Property Investment
Empiric (Baptist 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)	Active	100%	Property Investment
Empiric (Bath Piccadilly Place)	Active	100%	Property Investment
Empiric (Birmingham Emporium) Limited	Active	100%	Property Investment
Empiric (Birmingham) Limited	Active	100%	Property Investment
Empiric (Bristol) Leasing Limited	Dormant	100%	Property Leasing
Empiric (Bristol) Limited	Active	100%	Property Investment
Empiric (Buccleuch Street) Leasing Limited	Dormant	100%	Property Leasing
Empiric (Buccleuch Street) Limited	Active	100%	Property Investment
Empiric (Canterbury Franciscans Court) Limited	Active	100%	Property Investment
Empiric (Canterbury Pavilion Court) Limited	Active	100%	Property Investment
Empiric (Cardiff Wndsor House) Leasing Limited	Dormant	100%	Property Leasing
Empiric (Cardiff Wndsor 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 (Egham High Street) Limited	Active	100%	Property Investment
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 (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 Otago Street) Limited	Dormant	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 Cookridge) 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

	Status	Ownership	Principal Activity
Empiric (Leicester 160 Upper New Walk) Limited	*Active*	*100%*	*Property Investment*
Empiric (Leicester Bede Park) Limited	*Active*	*100%*	*Property Investment*
Empiric (Leicester De Montfort Square) Limited	*Active*	*100%*	*Property Investment*
Empiric (Leicester Hosiery Factory) Limited	*Active*	*100%*	*Property Investment*
Empiric (Leicester Peacock Lane) Limited	*Active*	*100%*	*Property Investment*
Empiric (Leicester Shoe & Boot Factory) Limited	*Active*	*100%*	*Property Investment*
Empiric (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 (St Andrews Ayton House) Leasing Limited	*Active*	*100%*	*Property Leasing*
Empiric (St Andrews Ayton House) Limited	*Active*	*100%*	*Property Investment*
Empiric (St Peter Street) Leasing Limited	*Dormant*	*100%*	*Property Leasing*
Empiric (St Peter Street) Limited	*Active*	*100%*	*Property Investment*
Empiric (Stirling Forthside) Leasing Limited	*Dormant*	*100%*	*Property Leasing*
Empiric (Stirling Forthside) Limited	*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) Leasing Limited	*Active*	*100%*	*Property Leasing*
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%*	*Intermediate Holding Company*
Empiric Investment Holdings (Four) Limited	*Active*	*100%*	*Holding Company*
Empiric Investment Holdings (Three) Limited	*Active*	*100%*	*Holding Company*
Empiric Investment Holdings (Two) Limited	*Active*	*100%*	*Holding Company*
Empiric Investment Holdings (Five) Limited	*Active*	*100%*	*Holding Company*
Empiric Investment Holdings (Six) Limited	*Active*	*100%*	*Holding Company*
Empiric Investments (Five) Limited	*Active*	*100%*	*Immediate Holding Company*
Empiric Investments (Three) 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 (Two) Limited	*Active*	*100%*	*Immediate Holding Company*
Empiric Student Property Limited	*Active*	*100%*	*Property Management*
Empiric Student Property Trustees Limited	*Active*	*100%*	*Trustee of EBT*
Hello Student Management Limited	*Active*	*100%*	*Property Management*
Grove St Studios Ltd	*In liquidation*	*100%*	*Property Investment*
Spring Roscoe Limited	*In liquidation*	*100%*	*Property Investment*

COMPANY INFORMATION AND CORPORATE ADVISERS

Company Registration Number: 08886906
Incorporated in the UK

DIRECTORS AND ADVISERS

Directors
Stuart Beevor (Acting Chairman)
Tim Attlee (Acting Chief Executive Officer)
Lynne Fennah (Chief Financial Officer)
Jim Prower (Non-Executive Director)
Stephen Alston (Non-Executive Director)

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Empiric Student Property plc | *Annual Report and Accounts for the year ended 31 December 2017*