ESP

Interim Report

30 June 2020

Contents

Financial Headlines

Six months to 30 June 2020 which includes the impact of the COVID-19 pandemic

Revenue

£34.0m *(5)%*

(2019: £35.7m)

Basic Earnings Per Share

(2.39)p

(2019: 4.78p)

Gross Margin[1]

68.8%

(2019: 68.5%)

Adjusted Earnings Per Share[1]

1.98p *(16)%*

(2019: 2.36p)

Administration Expenses

£5.2m *(4)%*

(2019: £5.0m)

Dividends Declared Per Share

1.25p *(50)%*

(2019: 2.50p)

Loss Before Tax

£(14.4)m

(2019 Profit: £28.8m)

Dividend Cover[1]

159%[2] *+69%*

(2019: 94%)

As at 30 June 2020

Property Valuation

£1,010m *(2)%*

(As at 31 December 2019: £1,029m)

Net Asset Value ("NAV") Per Share[1]

106.6p *(3)%*

(As at 31 December 2019: 110.2p)

Total Return[1]

(2.1)%

(As at 31 December 2019: 8.6%)

Loan-to-Value ("LTV")

35.5% *+8%*

(As at 31 December 2019: 32.9%)

1 Denotes our Financial Key Performance Indicators ("KPIs")
Note the Group will only report on non-financial KPIs annually.

2 Reflecting the dividend declared on 17 February 2020 and suspension of dividends to date.

Highlights

Progress on the operational transformation and in-sourcing programme has continued throughout the first half of the year and has significantly improved our ability to respond quickly and effectively to the challenges posed by the COVID-19 pandemic.

Our response has been underpinned by three key priorities: keeping our people and customers safe, maintaining critical services for our customers, and protecting value for our shareholders. More detail on how we have managed the impact of COVID-19 can be found on pages 5-6.

We believe our quick, robust action has protected the business for the future and we continue to be committed to delivering sustainable returns to shareholders.

Strong Revenue Despite COVID-19 Impact

- Revenue of £34.0 million (H1 2019: £35.7 million) is net of £3.8 million rent forgone (for H1) and the loss of about £0.7 million expected revenue for summer term lets due to COVID-19, with underlying growth of 8% on the first six months of 2019.
- Gross margin 68.8% slightly ahead of the previous half year (H1 2019: 68.5%), with expenditure reduced to offset the rent forgone.
- Basic earnings per share of (2.39) pence (H1 2019: 4.78 pence) and adjusted earnings per share decreased 16% to 1.98 pence (H1 2019: 2.36 pence).
- Dividends of 1.25 pence per share were 159% covered by adjusted earnings (H1 2019: 94%) reflecting the dividend declared on 17 February 2020. Dividends remain suspended with an update in Q4 2020.

Transforming Operational Performance

- In-sourcing and embedding now largely complete with the back office revenue management system on track to be fully in-house by Q4 2021.
- Significant benefits from the in-sourcing programme completed to date, including having the organisational agility to respond quickly to the impact of COVID-19.
- A major improvement in colleague engagement full survey score of 83% up from 69% in 2019, against the UK all-sector average of 68%.
- Within the colleague engagement survey employees returned a score of 82% when specifically rating the Group's response to COVID-19.

Benefits of Our Business Model

- Emphasis on premium accommodation in small buildings with 50 to 200 beds has enabled us to adapt our buildings to COVID-19 more easily than larger buildings.
- 83% of our beds are either self-contained studios or en-suite accommodation which is increasingly in demand as a result of the current social distancing requirements.
- Historically strong demand from postgraduate students, and we expect to benefit further from this segment in a more challenging jobs market.
- Our direct let model allows us to dynamically price, which is beneficial in an increasingly competitive market.

Income and Rental Growth

- A flexible approach adopted for summer 2020 tenancies has been well received by customers and universities.
- Total rent foregone of £7.2 million to students who wished to leave their tenancy early reflecting 10.2% of contracted revenue for the 2019/20 academic year.
  £3.8 million of this is recognised in these interim results, with the £3.4 million balance to be recognised in the six months to December 2020.
- Before rent foregone, like-for-like rental growth for academic year 2019/20 v 2018/19 of 3.1%.
- Bookings of 65% for the 2020/21 academic year at 12 August, compared to 85% as at 19 August 2019.
- Re-booker rate for 2020/21 academic year currently at 17% in line with the previous year.
- Adopted a flexible approach to tenancies for the 2020/21 academic year, with flexibility on start dates and semester lets.
- We have expanded our digital marketing activity to reach a wider UK audience, targeting their parents as well as students.
- Working to diversify our international customer base, with new international agents appointed.

High Quality Portfolio of Well-Located Assets

- Property portfolio valued at £1,010 million at 30 June 2020 (31 December 2019: £1,029 million), representing a like-for-like decrease of 2%.
- Underlying valuation yield of 5.54% (December 2019: 5.55%) has remained stable with valuation decrease driven as a result of an assumption of reduced income for the next academic year by the valuer (see page 8 for valuation movement).
- EPRA NAV per share down 3% to 106.6 pence (31 December 2019: 110.2 pence).
- 65% of our beds located in Russell Group university towns, with CBRE classing 93% of our portfolio as prime or super prime.

- Development pipeline being mobilised with work instructed to recommence on two of the four development sites paused due to COVID-19. 385 beds from these developments are to be delivered for the 2021/22 academic year. On 30 June we achieved practical completion on a 52-bed scheme in Leicester.

Robust Financial Position

- Net debt of £360 million at 30 June 2020 (31 December 2019: £350 million), resulting in a LTV ratio of 35.5% (31 December 2019: 32.9%), in line with our long-term target of 35% and below our stated maximum of 40%.
- Of our total drawn debt of £365 million, £277 million (76%) is at fixed interest rates and £88 million (24%) is at floating rates. The aggregate cost of debt is 3.0%, with a weighted average term to maturity of 6.2 years. We complied fully with our covenants during the period.
- We refinanced two investment debt facilities in the period, extending on more favourable terms and increasing one of the facilities by £10 million, agreed a development facility for £22.5 million and have secured an additional £20 million on our revolving cash facility (“RCF”) in July 2020 (as noted below).
- We have no further refinancing requirements until November 2022.

Post Period End

- On 31 July 2020, the Group increased the £70 million revolving credit facility (“RCF”) with Lloyds Bank plc by £20 million to provide additional headroom for the Group if required.

Management Report

Despite the impact of COVID-19, it is clear the decision to transform the business to a fully integrated operational property business has been the right one. The in-sourcing of most functions by the start of the year has allowed us to be swift and agile in our response to the pandemic whilst ensuring that we have protected the business for the future and the interests of our stakeholders and we continue to be committed to delivering sustainable returns to shareholders.

COVID-19

The COVID-19 pandemic has caused massive disruption across the UK and the world. However, we have carefully managed the impact on Empiric and our stakeholders through making agile decisions and actions made possible through our in-house operational model. Our focused response to COVID-19 falls under three key priorities:

1) **Keeping Our People and Customers Safe**

In the first few days of the pandemic, we released a reporting tool which allowed us to keep track of the status of staff and customers who were presenting with potential symptoms or were choosing to self-isolate. This enabled us to take rapid action to prevent the spread of the virus, and to put measures in place to support staff and customers.

Communication with our people was critical, we issued a daily communication and update from the senior team to customers and staff to ensure that they were kept aware of all the actions and measures which were being taken to ensure their safety. Regular communication with all our people helped us monitor how the pandemic was affecting them and also, where appropriate, allowed us to share information and ideas on how to best manage challenges caused by the pandemic and on measures being put in place as the UK starts to recover from it.

We updated and amended many HR policies, including the agile working policy and sickness policy to ensure that if any of our people developed COVID-19 they would be appropriately supported.

With our centralised IT system, we were able to seamlessly move to home working in the early days of the pandemic. This meant that our people were able to work from home with ease and efficiency where the nature of their roles allowed them to do so.

To ensure that our sites are safe for our customers and our people, we have fitted protective screens to our reception desks in our buildings, and our people are also issued with a supply of PPE to ensure that they can move around the buildings safely when they are working.

We have also revised procedures to ensure that social distancing is maintained when our people are at work.

2) **Maintaining Critical Services for our Customers**

As we provide homes to around 9,000 students a year, their safety has always been of paramount importance.

To help our customers feel safe, we issued bi-weekly updates to ensure they were kept abreast of what Empiric was doing to support them and what the current situation was with the fast-moving government updates.

Where possible we instigated one-way systems and installed hand sanitiser stations in all our buildings. These actions helped to reassure our customers regarding their safety in their homes.

In April, as a responsible student focused business, we felt it was right to launch a refund programme which we made available to our customers who met certain criteria, such as having moved out of their rooms and having no arrears. Our worst-case assessment of this potential impact was a reduction of £21 million in revenue for the 2019/20 academic year. In fact, the impact to date has been considerably lower at £7.2 million reflective of the fact that our customers view our buildings as their home rather than the more traditional student halls-based university experience. This was demonstrated in May when we reported that 55% of our bedrooms were still occupied. The rent forgone programme has generated significant brand goodwill with both our customers and universities.

Due to viewings for the upcoming academic year being challenging as a result of social distancing, we have recorded virtual video tours for each building and made them available on our Hello Student® website.

We have also launched our “Book With Confidence” and “Stay With Confidence” pledges which provide customers with a clear position on key areas such as cancellations and safety in our buildings.

In addition, we created new ways for parcels to be delivered, and we implemented a new booking process for the use of study rooms and gyms– so that we can clean between each use, and placed restrictions on the number of people that can use a lift at any one time, by encouraging people to use stairs where possible. Social distancing fire drills are also in place keeping both our customers and our buildings safe.

3) **Protecting Value for Shareholders**

When the COVID-19 pandemic took hold, we implemented a number of actions to cut costs, reduce capital commitments and improve liquidity to ensure that the Group would be in the best position to trade through this uncertain period. In March, we put a pause on all discretionary spending, halted work on our development sites and suspended dividend payments.

We undertook detailed scenario planning and assessed the Group's liquidity. See Going Concern on page 19 for full details on the current position. We have also taken the prudent step of increasing our £70 million existing RCF with Lloyds Bank plc to £90 million.

The work we undertook, keeping our people safe and maintaining critical services for our customers all help to protect value for our shareholders.

The actions we have taken, the most important of which are explained above, have ensured that we effectively steered the Group through the initial stages of the pandemic and have also prepared the business to be resilient during the next stages.

Our Market

The PBSA investment market was in great health at the start of 2020, and with the sale of the iQ student accommodation platform to Blackstone, pre COVID-19 transaction volumes were £4.75 billion. The market has since slowed due to the current pandemic, however there are a number of positive signs emerging.

Since March 2020 when the COVID-19 pandemic struck, there have been seven standing asset transactions, and one land deal completed totalling over £280 million. These transactions had some form of rental guarantees for the upcoming year and the net initial yields were either equal to or better than before March 2020, showing that there is continued interest in the PBSA investment market.

There is also positive news from universities with most UK universities preparing to provide some form of in-person teaching this autumn. Of the universities surveyed by Universities UK, 97% confirmed they would be providing in-person teaching at the start of term this next academic year. This face-to-face teaching will result in students needing to be on or near campus.

Operational Update

The decision to transform to a fully integrated property business has been the right one. The in-sourcing of most functions by the start of this year has allowed us to be agile in dealing with the pandemic.

In addition, we have made positive steps in a number of other areas.

The development of our new in-house revenue management system is progressing well, and we will start selling on this platform for the 2021/22 academic year in November this year. This revenue management system will bring us several benefits, including:

– More timely pricing adjustments.
– Improving the journey, communication and interaction with the customer.
– Efficient use by our people, as all activity will be on one platform.
– Expected cost saving of £1.5 million annually, with the first full year of savings expected in 2022.

We have also seen improved efficiencies as a result of the operational transformation. The quality of management information available throughout the business has allowed greater insight and higher visibility on costs than ever before. These efficiencies combined with discretionary cost cutting in reaction to the pandemic have meant a reduction of 7% the average cost per bed compared to the first half of last year.

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

Financial Performance

Revenue decreased by 5% to £34.0 million (H1 2019: £35.7 million), after the impact of £3.8 million of rent foregone and the loss of about £0.7 million expected revenue for summer term lets due to the impact of COVID-19 on student occupancy. On an underlying basis, revenue increased by 7.8%, driven by improved occupancy, new developments coming on stream and like-for-like rental growth of 3.1% for the 2019/20 academic year.

Property expenses were lower at £10.6 million (H1 2019: £11.2 million). This decrease was primarily caused by a pause on discretionary spending and lower staffing costs. This resulted in a slight improvement in the gross margin to 68.8%, up from 68.5% for the first half of 2019 and 67.1% for 2019 full year.

We maintained our rigorous focus on controlling administrative expenses, which were broadly flat at £5.2 million (H1 2019: £5.0 million).

Operating loss under IFRS was £8.0 million (H1 2019 profit: £35.1 million), a reduction of £43.1 million. £42 million of the reduction in profit arose purely from the revaluation of our property portfolio. The property portfolio was reduced by 2% as a result of CBRE's assumption around income uncertainty in the coming academic year as a result of COVID-19, see Portfolio and Valuation section for detail. The initial yield of 5.54% is marginally better than the beginning of the year.

Net financing costs for the period were £6.4 million, net of interest earned (H1 2019: £6.3 million).

Loss before tax was £14.4 million (H1 2019 profit: £28.8 million). No corporation tax was charged in the period, as the Group fulfilled all its obligations as a REIT.

Adjusted EPS, was 1.98 pence (H1 2019: 2.36 pence), against a dividend of 1.25 pence (H1 2019: 2.50 pence) resulting in dividend cover of 159% (H1 2019: 94%), an increase of 69% as a result of the dividend suspension. Adjusted EPS is defined in Note 4.

Of the total dividend paid in the period, 0.85 pence per share was declared as property income dividends and 0.40 pence per share was declared as ordinary UK dividends (H1 2019: 0.68 pence and 1.82 pence respectively).

As at 30 June 2020, the Net Asset Value ("NAV") per share was 106.6 pence, (31 December 2019: 110.2 pence, prior to adjusting for the interim dividend of 1.25 pence per share paid in March 2020).

Dividends

The dividends paid in relation to the period are shown in the table below:

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

Financing

During the period we refinanced two of our debt facilities. In February, we refinanced an expiring unsecured facility with First Commercial Bank and increased the facility from £10 million to £20 million. On 16 March 2020, we signed a four and a half-year £22.5 million development debt facility with RBS. In April we refinanced an expiring £32.8 million facility with AIB on more favourable terms. Following the period end in July, we increased our existing £70 million RCF with Lloyds Bank plc by £20 million.

At the period end, we had committed investment debt facilities of £400 million, of which £365 million (31 December 2019: £355 million) had been drawn down, resulting in an LTV of 35.5% (31 December 2019: 32.9%). The aggregate cost of debt is 3.0%, with a weighted average term to maturity of 6.2 years at 30 June 2020. We fully complied with all of our banking covenants during the period.

Of our total drawn down facilities, £277 million is at fixed interest rates and £88 million is at floating rates.

Portfolio and Valuation

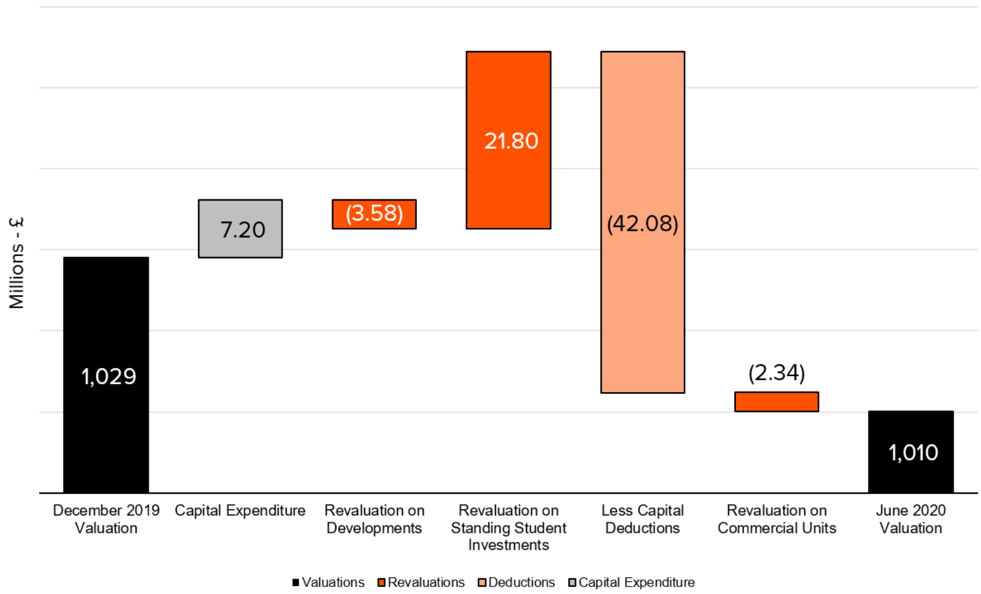
As at 30 June 2020, the Group owned, 95 assets representing 9,401 beds (31 December 2019: 9,401 beds). The portfolio included 92 revenue-generating properties at the period end, with 8,835 beds. 65% of our beds are located in Russell Group university towns, and CBRE class 93% of our portfolio as prime or super prime.

Each property in the portfolio has been independently valued by CBRE, in accordance with the Royal Institution of Chartered Surveyors ("RICS") Valuation - Professional Standards January 2014 and the UK national supplement 2018 (the "Red Book"). At 30 June 2020, the portfolio was valued at £1,010 million, a decrease of 2% during the period (31 December 2019: £1,029 million).

The valuation decrease was driven by CBRE reducing the portfolio value by a £42 million capital deduction. CBRE have based their valuation on the assumption of a 50% reduction in gross rents due to the uncertainty around the income for the next academic year. However, the underlying Net initial yield ("NIY") (before capital deductions) was steady at 5.54% (December 2019: 5.55%) along with an expected Net operating income ("NOI") increase.

Considering the market uncertainty caused by COVID-19, the 30 June 2020 valuations have been reported on the basis of "material valuation uncertainty". On 7 July 2020 after the period end, the RICS recommended that the "material uncertainty" clause would no longer be appropriate for valuations of institutional grade student accommodation which is professionally managed, such as Empiric's portfolio.

Valuation Movement and Analysis



Developments

Increased costs due to longer development periods as a result of COVID-19

Standing PBSA Valuation Increase:

65% from rental changes

35% from yield improvements

£42 million Deduction:

CBRE assumes a 50% reduction in rental income for the first nine months of 2020/21 academic year

Commercial

Decrease of 10%

Developments and Redevelopment

At the period end, we had a pipeline of four development projects, as shown in the table below:

Site	Development Basis	Beds	Delivery Year
140/142 New Walk, Leicester	Forward funded	52	2020
Emily Davies, Southampton	Major refurbishment	232	2021
St Mary's, Bristol	Direct development	153	2021
FISC, Canterbury	Major refurbishment/development	181	TBC

The Leicester development which completed on 30 June 2020, is ready to operate for the 2020/21 academic year. After a detailed review of the associated costs and benefits, we have recommenced development work on the Southampton and Bristol developments. We will review the Canterbury development in October 2020 once we have gained planning on a second phase of the build and have greater certainty around our income for the 2020/21 academic year.

Total Return ("TR")

TR is the growth in NAV per share plus dividends paid per share in the period, as a percentage of the opening NAV per share. The TR for the six months to 30 June 2020 was negative 2.13% (H1 2019: 4.53%).

Post Balance Sheet Events

On 31 July 2020 the Group increased its RCF with Lloyds Bank plc by £20 million, to £90 million to provide additional headroom if required.

Management Changes

– On 18 March 2020, the Board announced that Tim Attlee would be stepping down from his role as Chief Executive Officer of the Group. Tim remained in his position until the end of June 2020 to ensure an orderly handover.
– On 26 June 2020, the Board announced the appointment of Duncan Garrood as Chief Executive Officer. Duncan is an experienced and proven business leader in quoted and large privately-owned businesses in the UK and international markets and he has strong operational, sales and marketing skills. Duncan will join Empiric no later than 1 January 2021.
– In July, we appointed William Atkinson as Property Director and a member of the Senior Leadership Team. William has 16 years' experience in investment and development across operational assets, in particular multi-family real estate, and will join Empiric no later than October 2020.

Looking Forward

We are confident we have a business which will be able to work through the current pandemic and provide a platform for growth moving forward (further details, including the assumptions used to support our going concern on page 19).

We continue to suspend guidance with a further update expected in Q4 2020 once we have a clearer picture of our revenue for the 2020/21 academic year. We will review the resumption of dividends at this time.

Despite COVID-19, we continue to see the increasing benefits of our operational transformation and we are optimistic for the future of the business. Following recent senior appointments, the Board is confident and excited in the capabilities of the Executive and Senior Leadership Team to lead Empiric in its next phase of growth.

The attractive fundamentals of increasing structural demand from both domestic and international students for premium, responsibly managed student accommodation focused in high demand UK towns and cities remains strong, whilst the supply of such accommodation continues to be restricted. Combined with the Company's robust balance sheet, differentiated well located portfolio focused on premium studio-led and smaller buildings with rooms predominantly direct-let, and the benefits of our operational transformation continuing to strengthen, we see significant opportunities for the Group to grow and deliver value to our stakeholders despite the short-term uncertainty.

Principal Risks and Uncertainties

The principal risks and uncertainties we face are described in detail on pages 32 to 35 of our Annual Report and Accounts for the year ended 31 December 2019. The Audit Committee, which assists the Board with its responsibilities for managing risk, has considered those principal risks and uncertainties and concluded that whilst the categories of principal risks are unchanged during the period, there has been an overall increase in risk across all aspects of our business as a result of the combination of the impact of COVID-19 and the potential impact of a "no trade deal" Brexit.

COVID-19

We have been agile in our response to the pandemic, with a clear focus on the safety of colleagues and customers, maintaining critical services for customers and protecting value for shareholders.

Whilst the level of risk has increased across all our identified principal risks and uncertainties, COVID-19 has accentuated the Student Demand Risk, Property Market Risk and Health & Safety Risk.

Further detail on some of the steps to mitigate these risks are detailed on page 5 to 6.

Beyond the immediate impact of COVID-19, there is a forecast recession in the UK and global economies. A counter cyclical impact is that historical evidence shows that in times of recession there is a greater influx into higher education, and we anticipate this will benefit Empiric.

The resilience of our business as a result of COVID-19 uncertainty has been documented on page 19 under Going Concern.

Brexit

The Board continues to review the potential impact of Brexit on the Group's business. While we do not deem it to be a principal risk at this stage, we are monitoring developments. Until Brexit negotiations are finalised it is impossible to judge what impact leaving the EU will have. This government is, however, committed to growing international student numbers - from the current level of almost 450,000 to 600,000 by 2030 - the Treasury has also recognised the value of higher education exports by making visa applications and postgraduate employment limitations less onerous. However EU international students make up about 7% of the full-time student population in the UK - a relatively small proportion. Of equal potential significance to the sector is the fate of EU teaching and research staff employed in higher education, and the European medical and science research programmes.

Principal Risks

The principal risks and uncertainties described in the Annual Report and Accounts are summarised below:

External Risks

- Student Demand Risk – There is a risk that the level of student demand will decrease.
- Competition Risk – The risk of an increased level of competition and supply in the student accommodation sector.
- Property Market Risk – The potential for a downturn in the property market.
- Regulatory Risk – Large levels of regulation being applied to the student accommodation market.
- Funding Risk – The availability of debt or equity and ability to raise it on acceptable terms.

Internal Risks

- Health & Safety Risk – The occurrence of a major health and safety incident including a fire.
- Cyber Security Risk – The Group suffering from a cyber security breach.
- People Risk – Inability to retain and attract top levels of staff.
- Cost Control Risk – Costs rising out of control across the Group.
- Development Risk – The potential for developments to be delivered late or incomplete, or over budget.

Going Concern

The COVID-19 pandemic has created global economic uncertainty, and in particular uncertainty around income for the 2020/21 academic year. Accordingly, the Group has conducted a detailed going concern review and considered its liquidity position and banking covenant compliance strength. The detailed assessment we have undertaken is set out in Note 1.2 of the financial statements on page 19.

The Directors consider that the Group has adequate resources in place for at least 12 months from the date of these results and have therefore adopted the going concern basis of accounting in preparing the half year financial statements.

Responsibility Statement of the Directors in Respect of the Interim Report and Accounts

The Directors confirm that to the best of their knowledge this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union and that the operating and financial review herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8 of the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority, namely:

- *an indication of important events that have occurred during the first six months of the financial period and their impact on the condensed financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial period; and*
- *material related party transactions in the first six months.*

A list of the current Directors is shown on page 33. Shareholder information is as disclosed on the Empiric Student Property plc website, www.empiric.co.uk.

For and behalf of the Board

Mark Pain
Chairman

12 August 2020

Independent Review Report to Empiric Student Property plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 which comprises the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and related notes.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' Responsibilities

The half-yearly financial report is the responsibility of and has been approved by the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in Note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards (''IFRSs'') as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, ''Interim Financial Reporting'', as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, ''Review of Interim Financial Information Performed by the Independent Auditor of the Entity'', issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Emphasis of matter: Property valuations

We draw attention to the disclosures made in Note 6 to the financial statements. As described in the note, due to the fact that the valuers attached less weight to previous market evidence for comparison purposes, property valuations are therefore reported on the basis of 'material valuation uncertainty' in accordance with the RICS Valuation - Global Standards. Consequently, less certainty should be attached to the valuation of the investment properties than would normally be the case. Our review report is not modified in respect of this matter.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that the Company's future covenant compliance may be breached. As stated in Note 1, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our review report is not modified in respect of this matter.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of Our Report

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting its responsibilities in respect of half-yearly financial reporting in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

BDO LLP

Chartered Accountants
London, United Kingdom
12 August 2020

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

Unaudited Condensed Consolidated Statement of Comprehensive Income

	Notes	Unaudited six months to 30 June 2020 £'000	Unaudited six months to 30 June 2019 £'000	Audited year 31 December 2019 £'000
Continuing operations				
Revenue		34,014	35,735	70,908
Property expenses		(10,599)	(11,245)	(23,351)
Gross profit		**23,415**	**24,490**	**47,557**
Administrative expenses		(5,199)	(5,030)	(9,222)
Change in fair value of investment property	6	(26,202)	15,680	29,176
Operating (loss)/profit		**(7,986)**	**35,140**	**67,511**
Finance cost		(6,445)	(6,408)	(13,148)
Finance income		22	94	409
Net finance cost	2	(6,423)	(6,314)	(12,739)
(Loss)/Profit before tax		**(14,409)**	**28,826**	**54,772**
Corporation tax	3	–	–	–
(Loss)/Profit for the period		**(14,409)**	**28,826**	**54,772**
Other comprehensive income				
Items that will be reclassified to profit and loss				
Fair value gain on cash flow hedge		–	104	80
Total comprehensive (expense)/income for the period		**(14,409)**	**28,930**	**54,852**
Earnings per share expressed as pence per share				
Basic	4	(2.39)	4.78	9.08
Diluted	4	(2.39)	4.77	9,07

Unaudited Condensed Consolidated Statement of Financial Position

	Notes	Unaudited 30 June 2020 £'000	Unaudited 30 June 2019 £'000	Audited 31 December 2019 £'000
Non-current assets				
Property, plant and equipment		333	338	352
Intangible assets		1,672	1,406	1,619
Investment property - operational assets	6	984,631	943,561	999,380
Investment property - development assets	6	25,449	57,619	29,700
		1,012,085	**1,002,924**	**1,031,051**
Current assets				
Trade and other receivables		6,335	10,288	10,538
Fixed term deposit		–	10,000	–
Cash and cash equivalents		6,157	22,509	16,517
		12,492	**42,797**	**27,055**
Total assets		**1,024,577**	**1,045,721**	**1,058,106**
Current liabilities				
Trade and other payables		13,590	35,950	14,372
Borrowings	7	–	65,386	42,675
Derivative financial liability		–	112	–
Deferred rental income		8,110	10,983	29,204
		21,700	**112,431**	**86,251**
Non-current liabilities				
Bank borrowings	7	359,913	279,484	307,097
		359,913	**279,484**	**307,097**
Total liabilities		**381,613**	**391,915**	**393,348**
Total net assets		**642,964**	**653,806**	**664,758**
Called up share capital		6,032	6,029	6,032
Share premium		257	–	257
Capital reduction reserve		475,038	497,654	482,578
Retained earnings		161,637	150,099	175,891
Cash flow hedge reserve		–	24	–
Total equity		**642,964**	**653,806**	**664,758**
Total equity and liabilities		**1,024,577**	**1,045,721**	**1,058,106**
NAV per share basic (pence)	8	106.60	108.45	110.21
NAV per share diluted (pence)	8	106.36	108.17	109.99
EPRA NAV per share basic (pence)	8	106.60	108.46	110.21

Unaudited Condensed Consolidated Statement of Changes in Equity

Period from 1 January to 30 June 2020 (unaudited)

	Called up share capital £'000	Share premium £'000	Capital reduction reserve £'000	Retained earnings £'000	Cash flow hedge reserve £'000	Total equity £'000
Balance at 1 January 2020	**6,032**	**257**	**482,578**	**175,891**	**–**	**664,758**
Changes in equity						
Loss for the period	–	–	–	(14,409)	–	(14,409)
Fair value gain on cash flow hedge	–	–	–	–	–	–
Total comprehensive expense/income for the period	**–**	**–**	**–**	**(14,409)**	**–**	**(14,409)**
Share-based payment	–	–	–	155	–	155
Dividends	–	–	(7,540)	–	–	(7,540)
Total contributions and distribution recognised directly in equity	**–**	**–**	**(7,540)**	**155**	**–**	**(7,385)**
Balance at 30 June 2020	**6,032**	**257**	**475,038**	**161,637**	**–**	**642,964**

Period from 1 January to 30 June 2019 (unaudited)

	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 2019	**6,029**	**467,268**	**45,458**	**121,215**	**(80)**	**639,890**
Changes in equity						
Profit for the period	–	–	–	28,826	–	28,826
Fair value gain on cash flow hedge	–	–	–	–	104	104
Total comprehensive income for the period	**–**	**–**	**–**	**28,826**	**104**	**28,930**
Share-based payment	–	–	–	58	–	58
Reduction in share premium (Note 12)	–	(467,268)	467,268	–	–	–
Dividends	–	–	(15,072)	–	–	(15,072)
Total contributions and distribution recognised directly in equity	**–**	**(467,268)**	**452,196**	**58**	**–**	**(15,014)**
Balance at 30 June 2019	**6,029**	**–**	**497,654**	**150,099**	**24**	**653,806**

Year from 1 January to 31 December 2019 (audited)

	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 2019	**6,029**	**467,268**	**45,458**	**121,215**	**(80)**	**639,890**
Changes in equity						
Profit for the period	–	–	–	54,772	–	54,772
Fair value gain on cash flow hedge	–	–	–	–	80	80
Total comprehensive income for the period	**–**	**–**	**–**	**54,772**	**80**	**54,852**
Share-based payment	–	–	–	164	–	164
Share premium cancellation	–	(467,268)	467,268	–	–	–
Share options exercised	3	257	–	(260)	–	–
Dividends	–	–	(30,148)	–	–	(30,148)
Total contributions and distribution recognised directly in equity	**3**	**(467,011)**	**437,120**	**(96)**	**–**	**(29,984)**
Balance at 31 December 2019	**6,032**	**257**	**482,578**	**175,891**	**–**	**664,758**

Unaudited Condensed Consolidated Statement of Cash Flows

	Unaudited six months to 30 June 2020 £'000	Unaudited six months to 30 June 2019 £'000	Audited year to 31 December 2019 £'000
Cash flows from operating activities			
(Loss)/Profit before income tax	(14,409)	28,826	54,772
Share-based payments	155	58	164
Depreciation charge	157	128	283
Finance income	(22)	(94)	(409)
Finance costs	6,445	6,408	13,148
Change in fair value of investment property	26,202	(15,680)	(29,176)
	18,528	19,646	38,782
Decrease in trade and other receivables	4,201	2,186	958
(Decrease) in trade and other payables	(512)	(1,667)	(1,269)
(Decrease)/increase in deferred rental income	(21,094)	(15,985)	2,236
	(17,405)	(15,466)	1,925
Net cash flows generated from operations	**1,123**	**4,180**	**40,707**
Cash flows from investing activities			
Purchase of tangible fixed assets	(77)	(21)	(85)
Purchase of intangible assets	(113)	(235)	(552)
Purchase of investment property	(7,497)	(4,787)	(39,620)
Interest received	22	94	409
Fixed term deposit	–	–	10,000
Net cash flows from investing activities	**(7,665)**	**(4,949)**	**(29,948)**
Cash flows from financing activities			
Dividends paid	(7,540)	(14,645)	(30,148)
Bank borrowings	10,000	20,000	115,500
Repayments of bank borrowings	–	–	(90,500)
Loan arrangement fees paid	(371)	(4)	(1,064)
Finance costs	(5,907)	(5,546)	(11,603)
Net cash from financing activities	**(3,818)**	**(195)**	**(17,815)**
Decrease in cash and cash equivalents	**(10,360)**	**(964)**	**(6,956)**
Cash and cash equivalents at beginning of period	**16,517**	**23,473**	**24,473**
Cash and cash equivalents at end of period	**6,157**	**22,509**	**16,517**

Unaudited Notes to the Financial Statements

For the period 1 January 2020 to 30 June 2020

1. Accounting Policies

1.1 Trading Period

The condensed interim financial statements of the Group reporting period is from 1 January 2020 to 30 June 2020.

1.2 Going Concern

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

The Group has £6 million in cash and £45 million of undrawn investment debt facilities as at 30 June 2020. Since the period end, we have increased our £70 million RCF with Lloyds Bank plc by £20 million. We believe the Group is sufficiently funded, with no refinancing requirements until November 2022.

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

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

On 6 May 2020, the Group announced that the impact from releasing students from their rent obligations would have a total reduction in income for the current academic year 2019/20 of up to 12% (£8 million), which is below the worst-case reduction in revenue of up to c.£21 million as previously announced. This has now reduced further to a total reduction of £7.2 million. The Group also announced that one of the developments had recommenced and which completed in June 2020.

Management has applied the following stress tests and assumptions in its half year going concern model:

1) Revenue occupancy for the 2020/21 academic year of 60%

2) Revenue occupancy for the 2020/21 academic year of 70%

3) Revenue occupancy for the 2020/21 academic year of 80%

As of 12 August 2020 our current booking levels are 65% (85% as at 19 August 2019), the Board therefore believes that scenario 2 is the prudent outcome expectation for the forthcoming academic year.

Notwithstanding the impact of all of these scenarios, the Group continues to maintain adequate levels of liquidity and makes no assumption to utilise the additional £20 million RCF facility negotiated with Lloyds Bank plc throughout the same assessment period. The model we have used does not include any deeper cost cutting measures or mitigating actions we could undertake.

The Group also continues to maintain covenant compliance for its LTV thresholds throughout the going concern assessment period to 31 December 2021. Property values would have to fall by more than 20% from June 2020 valuations before we approach any of our LTV covenants.

However, the Directors note that in scenario 1 for two lenders the interest cover covenant threshold would not be met at the measurement date of 31 March 2021. Thereafter, the covenants would be met by the March 2022 measurement date.

The Directors further note that in scenario 2 for one lender the interest cover covenant threshold would not be met at the measurement date of 30 June 2021. Thereafter, the covenants would be met by the December 2021 measurement date. The Group is in detailed discussions with the lender who have communicated they will look favourably upon any waiver as it is required but have not provided a formal waiver at the time of signing this interim report. The Group also has cure rights under the lending agreement, and we could use the additional £20 million RCF facility to cure any breaches if required.

Overall, under the model the level of revenue occupancy for the 2020/21 academic year which needs to be achieved where we have no covenant breaches is 76%. At the other end of the scale, if our occupancy falls below 53% then we would be in breach of all of our ICR covenants.

To support the Directors' going concern assessment, a "Reverse Stress Test" was performed to determine the level of performance at which adopting the going concern basis of preparation may not be appropriate. This involved assessing the minimum amount of income required to ensure we had enough capital to continue to fund our obligations over the next 18 months. Under this scenario, revenue occupancy for the 2020/21 academic year could fall to 23% which is 42% below our worst-case scenario 1. The model we have used does not include any deeper cost cutting measures or mitigating actions we could undertake.

The Group faces uncertainty with the level occupancy over the 2020/21 academic year in general or as a result of a prolonged lockdown. This therefore represents a material uncertainty that could cast significant doubt on the Group's ability to continue as a going concern.

The Directors have discussed the outputs of this stress testing with all of their lenders, together with their internal management forecast for the remainder of the year which predicts all covenants will be complied with for all future measurement points. The Group will maintain a regular dialogue with all of its lenders as trading returns to normal.

The Directors consider that the Group has adequate resources in place for at least 12 months from the date of these results and have therefore adopted the going concern basis of accounting in preparing the half year financial statements.

1.3 Basis of Preparation

The condensed interim financial statements for the six months ended 30 June 2020 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority (previously the Financial Services Authority) and with IAS 34, Interim Financial Reporting, as adopted by the European Union.

The condensed consolidated financial statements for the six months ended 30 June 2020 have been reviewed by the Group's independent auditor, BDO LLP, in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity and were approved for issue on 12 August 2020.

The condensed consolidated financial statements presented herein for the period to 30 June 2020 do not constitute full statutory accounts within the meaning of section 434 of the Companies Act 2006. The Group's Annual Report and Accounts for the year to 31 December 2019 have been delivered to the Registrar of Companies. The Group's independent auditor's report on those accounts was unqualified, did not include references to any matters to which the auditor drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006.

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

The accounting policies adopted in this report are consistent with those applied in the Group's statutory accounts for the year ended 31 December 2019 with the exception of rent forgone as a result of COVID-19 - see below - and are expected to be consistently applied during the year ending 31 December 2020.

(a) Rent forgone

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

Unaudited Notes to the Financial Statements

For the period 1 January 2020 to 30 June 2020

1.4 Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Group's interim 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 interim financial statements:

a) Fair valuation of investment property

The market value of investment property is determined, by an independent 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 and the UK national supplement 2018 (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 6.

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.

Considering the market uncertainty caused by COVID-19, the 30 June 2020 valuations have been reported on the basis of "material valuation uncertainty". On 7 July 2020 after the period end, the RICS recommended that the material uncertainty clause would no longer be appropriate for valuations of institutional grade student accommodation which is professionally managed, such as Empiric's portfolio.

b) Operating lease contracts - the Group as lessor

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

c) Material uncertainty around going concern

Given the COVID-19 pandemic, enhanced judgement is needed around the material uncertainty relating to the Group's ability to be a going concern, see Note 1.2 for detail.

1.5 Seasonality of Operations

The results of the Group's operating business are closely aligned to the levels of occupancy achieved by the property portfolio in each academic year. Empiric targets 51-week tenancies, with a one-week void period falling in September. This results in slightly lower revenue on the existing portfolio in the second half year combined with slightly higher costs from turning around the rooms for the new academic year.

The Group counteracts this through the development cycle as construction is timed to complete ready for the start of the academic year in September each year. These new properties becoming available increases revenue in the second half year.

1.6 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.

1.7 Impact of New Accounting Standards and Changes in Accounting Policies

We have applied IFRS 16 during the year, but it has no material effect.

2. Net Finance Cost

	Unaudited six months to 30 June 2020 £'000	Unaudited six months to 30 June 2019 £'000	Audited year to 31 December 2019 £'000
Finance costs			
Fair value loss on interest rate cap	–	–	–
Interest expense on bank borrowings	5,890	5,792	11,947
Amortisation of loan transaction costs	555	616	1,201
	6,445	**6,408**	**13,148**
Finance income			
Fair value gain on interest rate cap	–	21	–
Fair value gain on interest rate swap	–	–	181
Interest received on bank deposits	22	73	228
	22	**94**	**409**
Net finance cost	**6,423**	**6,314**	**12,739**

3. Corporation Tax

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

Current tax is expected tax payable on any non-REIT taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Unaudited Notes to the Financial Statements

For the period 1 January 2020 to 30 June 2020

4. Earnings Per Share

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

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.

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

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

- The adjustment for licence fee receivable is calculated by reference to the fraction of the total period of completed construction during the period, multiplied by the total licence fee receivable on a given forward funded asset.
- The development rebate is due from developers in relation to late completion on forward funded agreements as stipulated in development agreements.
- The discounts on acquisition are in respect of the vendor guaranteeing a rental shortfall for the first year of operation as stipulated in the sale and purchase agreement.

Reconciliations are set out below:

	Calculation of basic EPS £'000	Calculation of diluted EPS £'000	Calculation of EPRA basic EPS £'000	Calculation of EPRA diluted EPS £'000	Calculation of adjusted basic EPS £'000
Unaudited six months to 30 June 2020					
Earnings	(14,409)	(14,409)	(14,409)	(14,409)	(14,409)
Adjustment to include discounts on acquisition due to rental guarantees in the period	–	–	–	–	162
Changes in fair value of investment property (Note 6)	–	–	26,202	26,202	26,202
Earnings/adjusted earnings (£'000)	**(14,409)**	**(14,409)**	**11,793**	**11,793**	**11,955**
Weighted average number of shares ('000)	602,939	602,939	602,939	602,939	602,939
Adjustment for employee share options ('000)	–	–[1]	–	1,367	–
Total number of shares ('000)	**602,939**	**604,306**	**602,939**	**604,306**	**602,939**
Per-share amount (pence)	**(2.39)**	**(2.39)**	**1.96**	**1.95**	**1.98**

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

	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
Unaudited six months to 30 June 2019					
Earnings	28,826	28,826	28,826	28,826	28,826
Adjustment to include licence fee receivable on forward funded developments in the period	–	–	–	–	991
Adjustment to include development rebate receivable on forward funded developments in the period	–	–	–	–	140
Changes in fair value of investment property (Note 6)	–	–	(15,680)	(15,680)	(15,680)
Changes in fair value of interest rate derivatives (Note 2)	–	–	(21)	(21)	(21)
Earnings/adjusted earnings (£'000)	**28,826**	**28,826**	**13,125**	**13,125**	**14,256**
Weighted average number of shares ('000)	602,888	602,888	602,888	602,888	602,888
Adjustment for employee share options ('000)	–	1,549	–	1,549	–
Total number of shares ('000)	**602,888**	**604,437**	**602,888**	**604,437**	**602,888**
Per-share amount (pence)	**4.78**	**4.77**	**2.18**	**2.17**	**2.36**
Audited year to 31 December 2019					
Earnings	54,772	54,772	54,772	54,772	54,772
Adjustment to include licence fee receivable on forward funded developments in the period	–	–	–	–	1,038
Adjustment to include discounts on acquisition due to rental guarantees in the year	–	–	–	–	229
Changes in fair value of investment property (Note 6)	–	–	(29,176)	(29,176)	(29,176)
Changes in fair value of interest rate derivatives (Note 2)	–	–	(181)	(181)	(181)
Earnings/adjusted earnings	**54,772**	**54,772**	**25,415**	**25,415**	**26,682**
Weighted average number of shares ('000)	602,929	602,929	602,929	602,929	602,929
Adjustment for employee share options ('000)	–	1,215	–	1,215	–
Total number of shares ('000)	**602,929**	**604,144**	**602,929**	**604,144**	**602,929**
Per-share amount (pence)	**9.08**	**9.07**	**4.22**	**4.21**	**4.43**

Unaudited Notes to the Financial Statements

For the period 1 January 2020 to 30 June 2020

5. Dividends Paid

	Unaudited six months to 30 June 2020 £'000	Unaudited six months to 30 June 2019 £'000	Audited year to 31 December 2019 £'000
Interim dividend of 1.25 pence per ordinary share in respect of the quarter ended 31 December 2018	–	7,536	7,536
Interim dividend of 1.25 pence per ordinary share in respect of the quarter ended 31 March 2019	–	7,536	7,536
Interim dividend of 1.25 pence per ordinary share in respect of the quarter ended 31 June 2019	–	–	7,536
Interim dividend of 1.25 pence per ordinary share in respect of the quarter ended 31 September 2019	–	–	7,540
Interim dividend of 1.25 pence per ordinary share in respect of the quarter ended 31 December 2019	7,540	–	–
	7,540	**15,072**	**30,148**

6. Investment Property

	Investment properties freehold £'000	Investment properties long leasehold £'000	Total operational assets £'000	Properties under development £'000	Total £'000
As at 1 January 2020	861,639	137,741	999,380	29,700	1,029,080
Property additions	2,064	227	2,291	4,911	7,202
Transfer of completed developments	5,582	–	5,582	(5,582)	–
Change in fair value during the period	(18,230)	(4,392)	(22,622)	(3,580)	(26,202)
As at 30 June 2020 (unaudited)	**851,055**	**133,576**	**984,631**	**25,449**	**1,010,080**
As at 1 January 2019	796,640	132,732	929,372	41,670	971,042
Property additions	(970)[1]	21	(949)	15,407	14,458
Change in fair value during the period	11,201	3,937	15,138	542	15,680
As at 30 June 2019 (unaudited)	**806,871**	**136,690**	**943,561**	**57,619**	**1,001,180**

1 The credit recognised in additions relates to a non-cash adjustment from the reversal of construction accruals previously recognised.

	Investment properties freehold £'000	Investment properties long leasehold £'000	Total operational assets £'000	Properties under development £'000	Total £'000
As at 1 January 2019	796,640	132,731	929,371	41,670	971,041
Property additions	4,206	410	4,616	24,247	28,863
Transfer of completed developments	34,441	–	34,441	(34,441)	–
Change in fair value during the year	26,352	4,600	30,952	(1,776)	29,176
As at 31 December 2019 (audited)	**861,639**	**137,741**	**999,380**	**29,700**	**1,029,080**

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 independent external valuers, and has been prepared as at 30 June 2020, in accordance with the Appraisal and Valuation Standards of the RICS, on the basis of market value. This value has been incorporated into the financial statements.

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

All investment property is categorised as Level 3. There have been no transfers between Level 1 and Level 2 during any of the periods, nor have there been any transfers between Level 2 and Level 3 during any of the periods.

The valuations have been prepared on the basis of Market Value ("MV"), which is defined in the RICS Valuation Standards as:

"*The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion*."

The Independent Valuer has included the following disclosure relating to material uncertainty as at the valuation date:

"The outbreak of the novel coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuations are therefore reported on the basis of "material valuation uncertainty" as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty - and a higher degree of caution - should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of the properties under frequent review.

For the avoidance of doubt, the inclusion of the "material valuation uncertainty" declaration above does not mean that the valuation cannot be relied upon. Rather, the phrase is used in order to be clear and transparent with all parties, in a professional manner that - in the current extraordinary circumstances - less certainty can be attached to the valuation than would otherwise be the case."

In arriving at these valuations, the valuers have exercised greater judgement regarding the level of rent collection for the 2020/21 academic year.

On 7 July 2020 after the period end, the RICS recommended that the material uncertainty clause would no longer be appropriate for valuations of institutional grade student accommodation which is professionally managed, such as Empiric's portfolio.

Unaudited Notes to the Financial Statements

For the period 1 January 2020 to 30 June 2020

The table below reconciles the fair value of the investment property as per the Consolidated Group Statement of Financial Position and the market value of the investment property as per the independent valuation performed in respect of each period end.

	Unaudited six months to 30 June 2020 £'000	Unaudited six months to 30 June 2019 £'000	Audited year to 31 December 2019 £'000
Value per independent valuation report	1,009,610	1,000,710	1,028,610
Plus: long leasehold liability	470	470	470
Fair value per Group Statement of Financial Position	**1,010,080**	**1,001,180**	**1,029,080**

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

a) Unobservable input: Rental values

The rent at which space could be let in the market conditions prevailing at the date of valuation. The rent ranges per week are as follows:

30 June 2020	30 June 2019	31 December 2019
£102–£357 per week	£93–£347 per week	£97–£347 per week

b) Unobservable input: Rental growth

The estimated average annual increase in rent based on both market estimations and contractual arrangements. The assumed growths in valuations are as follows:

30 June 2020	30 June 2019	31 December 2019
2.86%	2.57%	3.55%

c) Unobservable input: Net 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. The ranges in net initial yields are as follows:

30 June 2020	30 June 2019	31 December 2019
4.35%–7.50%	4.50%–7.00%	4.50%–7.25%

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 for the student properties has been prepared by the valuer:

	-3% change in rental income £'000	+3% change in rental income £'000	-0.25% change in yield £'000	+0.25% change in yield £'000
(Decrease)/increase in the fair value of investment properties				
As at 30 June 2020	(40,000)	40,000	43,470	(47,530)
As at 30 June 2019	(41,290)	41,230	48,810	(44,590)
As at 31 December 2019	(39,190)	39,270	46,520	(42,350)

Unaudited Notes to the Financial Statements

For the period 1 January 2020 to 30 June 2020

7. Borrowings

The existing facilities are secured by charges over individual investment properties held by certain asset-holding subsidiaries. These assets have a fair value of £877 million at 30 June 2020. In some cases, the lenders also hold charges over the shares of the subsidiaries and the intermediary holding companies of those subsidiaries.

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

	Bank borrowings drawn 30 June 2020 £'000	Bank borrowings undrawn 30 June 2020 £'000	Total 30 June 2020 £'000
At 1 January 2020 (audited)	**355,000**	**35,000**	**390,000**
Bank borrowings from new facilities in the year	10,000	22,500	32,500
At 30 June 2020 (unaudited)	**365,000**	**57,500**	**422,500**
At 1 January 2019 (audited)	**330,000**	**60,000**	**390,000**
Bank borrowings drawn in the period	20,000	(20,000)	–
At 30 June 2019 (unaudited)	**350,000**	**40,000**	**390,000**
At 1 January 2019 (audited)	**330,000**	**60,000**	**390,000**
Bank borrowings from new facilities in the year	55,500	–	55,500
Bank borrowings drawn in the year	60,000	(25,000)	35,000
Bank borrowings repaid in the year	(90,500)	–	(90,500)
At 31 December 2019 (audited)	**355,000**	**35,000**	**390,000**

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:

Current borrowings	Unaudited 30 June 2020 £'000	Unaudited 30 June 2019 £'000	Audited 31 December 2019 £'000
Balance brought forward	42,800	55,500	55,500
Bank borrowings becoming current in the period	–	10,000	–
Less: Bank borrowings becoming non-current during the period	(42,800)	–	–
Less: Bank borrowings repaid in the year	–	–	(55,500)
Bank borrowings drawn down in the year	–	–	42,800
Bank borrowings: due in less than one year	**–**	**65,500**	**42,800**
Less: Unamortised costs	–	(114)	(125)
Current liabilities: Bank borrowings	**–**	**65,386**	**42,675**

Non-current borrowings	Unaudited 30 June 2020 £'000	Unaudited 30 June 2019 £'000	Audited 31 December 2019 £'000
Balance brought forward	312,200	274,500	274,500
Total bank borrowings in the period	10,000	20,000	115,500
Bank borrowings becoming non-current during the period	42,800	–	55,500
Less: Bank borrowings becoming current during the period	–	(10,000)	(42,800)
Less: Bank borrowings repaid during the period	–	–	(90,500)
Bank borrowings: due in more than one year	**365,000**	**284,500**	**312,200**
Less: Unamortised costs	(5,087)	(5,016)	(5,103)
Non-current liabilities: bank borrowings	**359,913**	**279,484**	**307,097**

Maturity of bank borrowings	Unaudited 30 June 2020 £'000	Unaudited 30 June 2019 £'000	Audited 31 December 2019 £'000
Repayable within 1 year	–	65,500	–
Repayable between 1 and 2 years	–	32,800	35,000
Repayable between 2 and 5 years	107,800	30,000	–
Repayable in over 5 years	257,200	221,700	277,200
Non-current liabilities: bank borrowings	**365,000**	**350,000**	**312,200**

Fair value of fixed rate debt	Fair value £'000	Book value £'000	Fair value less book value £'000
At 30 June 2020 - unaudited	308,496	272,996	35.500
At 30 June 2019 - audited	243,317	217,626	25,691
As at 31 December 2019	295,498	271,971	23,527

The fair value of the fixed rate debt has been valued by independent financial 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.

Unaudited Notes to the Financial Statements

For the period 1 January 2020 to 30 June 2020

8. NAV Per Share

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

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

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:

	Unaudited 30 June 2020 £'000	Unaudited 30 June 2019 £'000	Audited 31 December 2019 £'000
Net assets per Statement of Financial Position	642,964	653,806	664,758
Adjustment to exclude the fair value loss of financial instruments	–	112	–
EPRA NAV	**642,964**	**653,918**	**664,758**
Adjustment to include fair value of debt	(35,500)	(25,691)	(23,527)
Adjustment to include the fair value loss of financial instruments	–	(112)	–
EPRA NNNAV	**607,464**	**628,115**	**641,231**

Ordinary shares	Number	Number	Number
Issued share capital	603,160,958	602,887,740	603,160,958
Issued share capital plus employee options	604,595,997	604,437,181	604,375,503

	Pence	Pence	Pence
NAV per share basic	106.60	108.45	110.21
NAV per share diluted	106.35	108.17	109.99
EPRA NAV per share basic EPRA	106.60	108.46	110.21
NAV per share diluted EPRA	106.35	108.19	109.99
NNNAV per share basic EPRA	100.71	104.18	106.31
NNNAV per share diluted	100.47	103.92	106.10

9. Capital Commitments

As at 30 June 2020, the Group had total capital commitments of £15 million (31 December 2019: £32 million) relating to forward funded or direct developments.

10. Related Party Disclosures

Key Management Personnel
Key management personnel are considered to comprise the Board of Directors.

Share Capital
There were no share transactions by related parties during the period.

Share-Based Payments
On 8 April 2020, the Company granted Tim Attlee, Chief Executive Officer, nil-cost options over 80,116 ordinary shares in the Company ("Ordinary Shares") and Lynne Fennah, Chief Financial and Operating Officer, nil-cost options over 72,396 Ordinary Shares relating to the deferred shares element of the annual bonus award for the financial period to 31 December 2019 (the "Annual Bonus Award").

On the same date, the Company granted nil-cost options over a total of 511,982 ordinary shares to Lynne Fennah pursuant to the Empiric Long Term Incentive Plan (the "LTIP") for the 2020 financial year.

Board Change
On 18 March 2020, the Board announced that Tim Attlee would be stepping down from his role as Chief Executive Officer of the Company. Tim remained in his position until 30 June 2020 to help to ensure an orderly handover took place.

In accordance with the terms of his employment contract, his basic salary and contractual benefits amounting to £41,350 per month will be paid from 1 July 2020 until 17 March 2021. Tim Attlee's outstanding deferred bonus shares will vest three years after the date of grant. He is also is eligible for a 2020 bonus, prorated for the period up to the termination date. In view of impact of COVID-19 on the Company's performance, and the stretching performance targets agreed which apply for the full year, it is unlikely any bonus will be paid in respect of 2020. For further information around the settlement agreement see www.empiric.co.uk.

11. Subsequent Events

On 31 July 2020, the Group increased its RCF facility with Lloyds Bank plc by £20 million. The current RCF facility now stands at £90 million of which £45 million is drawn as of the date of this report. The facility is due to run until November 2022.

Company Information and Corporate Advisers

Directors and Advisers

Directors
Mark Pain (Chairman)
Lynne Fennah (Chief Financial and Operating Officer)
Jim Prower (Non-Executive Director)
Stuart Beevor (Non-Executive Director)
Alice Avis (Non-Executive Director)

Broker and Joint Financial Adviser
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Broker and Joint Financial Adviser
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Communications Adviser
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Registrar
Computershare Investor Services PLC
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Henrietta House
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Administrator and Company Secretary
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Company Registration Number: 08886906
Incorporated in the UK (Registered in England)

Empiric Student Property plc is a public company limited by shares

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