Empiric Student Property plc

("**Empiric**" or the "**Company**" or, together with its subsidiaries, the "**Group**")

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

Growth in earnings and dividend supported by record occupancy and like-for-like rental growth

Empiric Student Property plc (ticker: ESP), the owner and operator of premium, studio-led student accommodation across the UK, is pleased to report its interim results for the six months ended 30 June 2023.

Duncan Garrood, Chief Executive Officer of Empiric Student Property plc, said:
"The business has experienced a very strong start to the year. Following our best ever re-booker campaign, the booking cycle for academic year 2023/24 has tracked significantly ahead of the prior year. Our accommodation is now effectively full for the forthcoming academic year with occupancy at 98 per cent, a level achieved earlier than ever before. We are confident that like-for-like rental growth of around 9 per cent will now be achieved, significantly ahead of previous guidance.

The Company is in great shape with improving operating margins, increased earnings per share, a robust balance sheet and significantly enhanced portfolio quality following ongoing refurbishments and execution of our non-core disposal programme. At an operational level, customer satisfaction measured through our improving Net Promoter Scores and the Platinum Operator certification awarded to our Hello Student brand, combined with the acute undersupply of high quality student accommodation, is driving increased re-bookings and greater demand for our rooms.

2023 is firmly on track to be another record year for the Company."

Financial highlights

	30 June 2022	**30 June 2023**	Change
Income statement			
Revenue	35.6	**41.3**	+16.0%
EPRA earnings (£m)	11.9	**14.1**	+18.5%
EPRA earnings per share (p)	2.0	**2.3**	+18.5%
Gross margin (%)	70.2	**71.7**	+2.0%
Dividends paid/declared per share (p)	1.250	**1.625**	+30.0%

	31 December 2022	**30 June 2023**	Change
Balance sheet			
EPRA NTA per share (p)	115.4	**117.3**	+1.6%
Portfolio valuation (£m)	1,078.9	**1,064.0**	+1.0%[1]
Cash and undrawn committed facilities (£m)	75.8	**75.6**	-0.3%
Property loan-to-value (%)	31.1	**30.3**	-0.8% pts

[1] Calculated on a like-for-like basis

Earnings growth underpins 30% increase in first half dividend

- Revenue increased 16.0% to £41.3m (30 June 2022: £35.6m)
- EPRA EPS increased 18.5% to 2.3p (30 June 2022: 2.0p)
- Portfolio valuation at £1,064.0m reflecting a 1.0% net like-for-like increase
- Net initial yield of 5.3% (31 December 2022: 5.2%)
- EPRA NTA per share increased 1.6% to 117.3p (31 December 2022: 115.4p)
- First half dividends paid and payable of 1.625p, 30.0% ahead of the first half of 2022 and in line with target
- Total accounting return of 3.1% (30 June 2022: 10.9%)

Strong demand for academic year 2023/24, including best ever re-booker campaign

- Revenue occupancy for academic year 2023/24 at 98% continuing to track ahead of prior year
- Like-for-like growth in average weekly rents now expected to be around 9% for academic year 2023/24

Continued focus on operational efficiency with clustering strategy and refurbishments providing profitable growth

- 254 newly refurbished beds to be delivered across target cluster markets for the 2023/24 academic year
- Finance and administrative costs continue in line with guidance
- Gross Margin improved to 72% at 30 June 2023 (70%: 30 June 2022); expected to moderate in line with guidance of 70% across the full year
- Post-Grad roll-out continues with the planned opening of our second exclusive Post-Grad offering in Nottingham for academic year 2023/24

Disposal programme on track to complete in 2023

- Non-core disposal programme generated £34.6m from the sale of four properties
- Contracts have exchanged for the sale of two further properties post 30 June 2023, collectively generating a further £8.8m
- Disposals achieved in line with book values demonstrating robust valuation approach
- Non-core properties now represent only 4% of total portfolio, with the disposal programme on track

Robust balance sheet

- Property loan to value at 30.3%, comfortably ahead of long-term target of 35%
- Weighted average cost of debt 4.3% (31 December 2022: 4.0%), 88% with interest rate protection
- Cash and undrawn committed facilities of £75.6m
- Terms agreed for the refinancing of 2024 & 2025 variable debt maturities

Hello Student operating platform delivering market leading service

- Continued improvement in Global Student Living Index Net Promoter Score from 27 to 32, which compares favourably against purpose built student accommodation average of 14 and 9 for university halls
- Hello Student awarded Platinum Operator certification by Global Student Living

Business and market outlook remains positive for H2 2023

- Revenue occupancy target achieved for academic year 2023/24, earlier than prior year
- Targeting a minimum dividend for the year to 31 December 2023 of 3.25 pence per share
- Actively exploring growth of Post-Grad opportunity with a view to accelerating the roll out of this product in key strategic locations

Results presentation at 09.00 (BST) today

To access the live webcast, please register in advance here:

https://stream.brrmedia.co.uk/broadcast/64995c7f0877dfa14c001a59

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The Company's LEI is 213800FPF38IBPRFPU87.

Further information on Empiric can be found on the Company's website at www.empiric.co.uk.

Notes:

Empiric Student Property plc is a leading provider and operator of modern, predominantly direct-let, premium student accommodation located in high-demand university towns and cities across the UK. Investing in both operating and development assets, Empiric is a fully integrated operational student property business focused on premium studio-led accommodation managed through its Hello Student operating platform, that is attractive to a growing number of student segments.

The Company is an internally managed real estate investment trust ("REIT") incorporated in England and Wales, listed on the premium listing segment of the Official List of the Financial Conduct Authority and was admitted to trading on the main market for listed securities of the London Stock Exchange in June 2014.

Operating Review

Building on our operational transformation, the business has experienced a strong start to 2023. The lettings cycle for academic year 2023/24, which has tracked eight to ten weeks ahead of the prior year during this first half of 2023, began with our most well received re-booker campaign. The acute undersupply of high quality student accommodation, coupled with the strategic shift in the portfolio away from secondary locations in favour of clustering premium quality properties in prime, undersupplied cities within close proximity to top-tier universities, has delivered a re-booker rate well in excess of the 20 per cent we targeted. Some of our strongest locations achieved re-booker rates in excess of 30 per cent, with certain properties securing 100 per cent of eligible re-bookers. This is a great achievement considering approximately a third of students complete their higher education journey each year. Target Revenue Occupancy of greater than 97 per cent has now been achieved for academic year 2023/24, with only a limited number of rooms remaining available, and we expect to deliver like-for-like rental growth in excess of nine per cent, significantly ahead of previous guidance.

Market outlook remains strong

As other UK real estate sectors have faced a more challenging macro-economic environment, PBSA has continued to defy market trends, with £7.8 billion of assets traded during 2022. This figure reflected an increase of 89 per cent on 2021, as real estate investment volumes in the UK as a whole fell by 14.2 per cent. A notable proportion of the sector's activity was secured through the completion of GIC/Greystar's £3.3 billion acquisition of Brookfield's Student Roost portfolio. An additional 54 deals were completed in 2022 including a number of new entrants to the UK PBSA market. Global appetite for the sector has continued to increase with U.S. and Singaporean investors accounting for 47 per cent and 24 per cent of investment in the past three years, respectively (source: Savills UK PBSA Spotlight May 2023).

Although there has been less PBSA transaction activity to date in 2023 as investors take stock of the changing macroeconomic environment, the overall attractiveness of the sector remains strong. A resurgence in activity in the second half of 2023 is anticipated, as the market continues to demonstrate robust year-on-year rental growth for academic year 2023/24, reinforcing the supply/demand imbalance.

According to Higher Education Statistics Agency's ("HESA") latest student population data for the 2021/22 academic year, the number of full-time students increased by 4 per cent to over 2.25 million. This data also showed a rise in total postgraduate students by 77,000 to 820,000, the highest total ever recorded in the UK. The growth trajectory is anticipated to continue as the university-aged population in the UK expands, with the number of individuals aged 18 expected to reach 890,000 by 2030, compared to 717,000 in 2020. The supply of new beds, including its forward pipeline, has decreased and is not anticipated to keep pace with the forecast growth in demand.

The UK's attractiveness as a destination for international students continues to drive growth in student numbers. HESA report that the number of full-time international students studying in the UK has risen from 432,000 in 2017/18 to 636,000 in 2021/22. This growth has been largely driven by a surge in Indian students, rising from 15,000 in 2016/17 to 112,000 in 2021/22. Chinese student numbers had also experienced sustained growth, surpassing 147,000 in total.

Strengthening international student application statistics continue to be reported. The University and Colleges Admissions Service's January 2023 statistical release shows a 4 per cent year-on-year rise in non-EU international applications. This was driven by Indian applicants which grew by 5 per cent and Nigerian applicants which rose 26 per cent to 9,130 and 2,930 respectively. Applications from the U.S. rose 10 per cent and UAE applicants rose 21 per cent to 5,800 and 3,570, respectively. The international market accounts for 24 per cent of total UK student numbers, but closer to half the total tuition fees paid to UK universities.

The UK remains within the top four favoured international destinations for students originating from the United States, China and India, attracting almost ten per cent of the total international student market, behind only the United States. The UK continues to perform well on relative affordability, when compared with many other sought after international destinations.

Our marketing and sales strategy has continued to target domestic students as well as international markets where our brand is underweight, for example in the strengthening Indian and Nigerian markets. Demographically, for the forthcoming academic year to date, 49 per cent of rooms have been sold to UK nationals, 32 per cent to Chinese students and 19 per cent to other international students.

Recent UCAS applications data suggests a decline in overall student applications of 2.3 per cent, which includes a fall in applications from Chinese students of 2.2 per cent. This decline in applications can be attributed to the UK domestic market, as the overall number of applications from international students has continued to rise, with strong growth experienced from Indian students. The reduction in Chinese applications is largely due to the reopening of the Australian market, post Pandemic. A period during which the UK was a net beneficiary of Chinese applicants.

A key driver behind the reduction in UK domestic applications was a material reduction in applications for Teaching and Nursing qualifications. Both these professions experienced strong growth during the Pandemic years of 2020 & 2021. Post pandemic normalisation, together with recent negative sentiment has impacted the number of students applying for these qualifications.

Historically, only 15 per cent of Teaching and Nursing applicants apply to study at higher tariff universities. Removing Teaching and Nursing applications from the data reduces the decline in applications to a more modest 0.8 per cent.

Portfolio overview

A summary of the Group's portfolio is set out below, segmented in line with our valuer's view of quality. Almost 95 per cent of the portfolio is invested in Prime or Super Prime locations.

Since 31 December 2022, the portfolio has grown in value by one per cent, like-for-like. This is as a result of the continued income growth achieved for the 2023/24 academic year, offset by a weakening of yields in secondary locations and the increased cost of fire safety works. Overall, the portfolio's net initial yield has increased by 10 basis points to 5.3 per cent.

Reflected within the like-for-like growth of one per cent, is a £9.0 million adjustment for increased cost of fire safety works. This follows an extensive tendering exercise for our larger properties where works are required to be carried out on their external wall systems ("EWS"). The increase is primarily due to high demand for specialist contractors, the rising cost of scaffolding and revisions required following intrusive investigations. In arriving at the portfolio's market value, the valuer has applied a pound for pound deduction for the forecasted cost of works. With works to our taller buildings now contracted, we have a high degree of comfort in respect to future cost.

Valuers quality segmentation	**Properties**	**Operational beds**	**Market value (£m)**	**Market value (%)**
Super prime regional	25	2,473	483.5	45.4
Prime regional	46	4,355	498.4	46.8
London	2	151	28.0	2.7
	73	6,979	1,009.9	94.9
Secondary	9	1,025	54.1	5.1
Total	**82**	**8,004**	**1,064.0**	**100.0**

Actively managing the property portfolio

A portfolio segmentation review was carried out in early 2021 with each property assigned a strategic segment reflecting the Group's investment style, as follows:

- **Segment A**: Properties that are well located to top-tier universities, appropriately configured and on-brand
- **Segment B:** Properties that fundamentally meet our key criteria but require extensive refurbishment to become on-brand. If extensive refurbishment is not expected to deliver our IRR return hurdle of 9-11 per cent, then the property is earmarked for sale.
- **Segment C:** Well-located properties which are configured in a manner that lend themselves better to a conversion to our new brand Post-Grad by Hello Student, this is typically based on room mix, size and amenity.
- **Segment D:** These properties are typically not of a size or configuration that lend themselves to become a core Segment A or Segment C scheme, are typically located in a single asset city whereby the benefits of clustering can't easily be realised and/or are not aligned to a top-tier university. These are therefore considered non-core, and earmarked for disposal.

We have seen activity in the investment market return following a period of disruption in the final quarter of 2022, allowing us to progress our non-core disposal programme at pace during the first half of the year.

During the six months to 30 June 2023, the Group has concluded the disposal of four properties generating £34.6 million, with pricing above 31 December 2022 book values, in aggregate. The sales cumulatively represent 524 operational beds and have reduced by one the cities in which the Company has an operational presence.

Since 30 June, contracts have been exchanged for the sale of two further properties, representing 96 beds with an aggregate consideration of £8.8 million. One completion took place in July with the other expected to complete in August. A number of other non-core asset sales are at various stages of negotiation, including under offer, providing continued optimism that our Segment D disposal programme will be materially complete by the end of 2023.

Since we began our non-core disposal programme in March 2021, the Company has generated gross proceeds of £101.2 million.

As we recycle capital from secondary locations or cities where we don't have sufficient scale, we aim to drive operational performance and improved returns through clustering. We are pleased to report that the progress made over the last 12 months has enabled us to improve our Gross Margin from 70 per cent at 30 June 2022 to 72 per cent at 30 June 2023, with our core properties now delivering 73 per cent, on average.

Strategic segmentation	**Segment A** (£m)	**Segment B** (£m)	**Segment C** (£m)	**Segment D** (£m)	**Total market value** (£m)	**NIY** (%)
Operational portfolio	751.4	106.6	142.0	43.7	1,043.8	5.3
Commercial portfolio	9.4	2.3	1.9	3.5	17.0	8.0
Development portfolio	-	-	-	3.2	3.2	
Total	**760.8**	**108.9**	**143.9**	**50.4**	**1,064.0**	
%	**71.5**	**10.3**	**13.5**	**4.7** [1]	**100.0**	

[1] Adjusting for sales exchanged pending completion or exchanged and completed post 30 June 2023, Segment D now represents 4.1 per cent of the operational portfolio

Refurbishment & development

Our annual refurbishment programme targets the delivery of between 250 and 350 beds annually. For the start of academic year 2023/24 we are on track to provide 254 newly refurbished beds and associated amenity areas across six core locations, with ongoing rolling refurbishments in the fourth quarter of 2023 and the first quarter of 2024, leading to a further 250 rooms for academic year 2024/25. Refurbishments typically deliver IRRs of between 9-11 per cent.

In September, we will deliver our second Post-Grad exclusive site at Talbot Studio's in Nottingham. This follows the success of our Post-Grad pilot which opened in Edinburgh in November 2022. Our Edinburgh scheme, which has sold out again for academic year 2023/24, has improved the city's gross margin and delivered a rental premium per room of approximately 20 per cent, without the need to build out amenity space.

Capital expenditure programme

Our five year programme of refurbishment, fire safety works and green initiatives continues. The revised plan, reflecting the increased cost of EWS works, is set out below. In respect to our programme of fire safety works, all properties have now been intrusively surveyed with 61 per cent of the portfolio fully certified.

	Refurbishment (£m)	Fire safety works (£m)	Green initiatives (£m)
Five year Plan (2021 – 2025)	36.1	37.0	12.0
Revision to cost forecast for EWS works	-	9.0	-
Revised plan	**36.1**	**46.0**	**12.0**
Invested to date	8.4	14.0	0.8
Forecast H2 23 investment	**9.5**	**6.5**	**2.8**

In addition to the above, ongoing capital life cycling works require around £4.0 million per annum.

We have allocated £12.0 million in favour of green initiatives, to reduce energy consumption and manage future EPC risk by bringing the portfolio in line with MEES requirements. Although year to date investment has been modest, decarbonisation works are underway at three sites, with studies awaited from a further five. Dedicated resource has been secured to accelerate the roll out of our decarbonisation plans over the next 18 months.

Growth

We continue to explore acquisition opportunities which are complementary to our core strategy of acquiring income accretive properties where we can exploit the benefits of clustering. We are currently in active discussions in respect of high-quality, well located opportunities in four UK cities where we have a strong existing operational presence. These comprise standing assets, refurbishment and forward fund opportunities.

Over the past five years, the UK's Post-Graduate population has grown at a compound annual growth rate of nine per cent. With an increasing number of international Post-Graduates choosing to study in the UK and UK universities seeking to expand international student numbers, this market is expected to continue to grow. We see this as a significant future growth opportunity for the business, not only in the provision of a product tailored to the needs of Post-Graduates, but also in driving our clustering strategy further and extending our relationship with existing customers. Supported by PwC, the Board is continuing to explore this opportunity in greater detail with a view to accelerating the roll out of the product in our key strategic locations.

Delivering consistent customer service

Delivering a high quality customer experience is paramount to the development of our strategic priorities. Our benchmark and key performance indicator in this regard is the Global Student Living Index's ("GSLI") Net Promoter Score ("NPS").

In the first of two surveys to be conducted during 2023, our operating brand, Hello Student, achieved an NPS score of 32, our highest score achieved to date (H2 2022: 27). This significantly outperformed the benchmark All Private Halls score which received an NPS of 12. Of all respondents, 87 per cent rated their room positively, with 85 per cent regarding our management and on-site teams as either good or very good, whilst 74 per cent agreed that their onsite team cared about their wellbeing.

Hello Student is a proud finalist for the Best Private Housing, Best Student Wellbeing, Best Learning Environment and Best Individual Property award at this year's GSLI awards. In addition, Global Student Living has recently awarded Hello Student a Platinum Operator certification. This is a fantastic result all round which demonstrates our commitment to a personal, high quality, customer service proposition.

Portfolio safety

Safety is, and will remain, of paramount importance to our business. We have a responsibility to ensure that everyone who is living, working in or visiting our buildings is kept safe. We continue to ensure our buildings comply with all relevant regulations and industry best practice.

Good progress has been made in the first half toward our key priorities for the year. Fire marshal & fire asset training has been delivered across the business. Our fire safety campaign and plans have been well received by the fire service and our fire management system is fully signed off by our primary authorities. In respect of Health & Safety, appointed persons training has been completed, with a contractor management standard now in place and our safe contractor campaign complete. Our critical incident plans were mobilised in June, following the sad incident in close proximity to one of our sites in Nottingham, where three people lost their lives following a series of stabbings. After a well-coordinated effort, all our customers and employees were declared safe and secure, with support made available to those who required it.

Financial review

Overview

Notwithstanding the ongoing disposal programme, revenue has increased 16 per cent relative to the first half of 2022. This captures the impact of the sitting academic year’s 5.2 per cent like for like rental growth coupled with the success of capital recycling and higher levels of occupancy.

The Group’s gross margin has improved to 72 per cent, this is above guidance, but expected to moderate in line with guidance of 70 per cent across the full year following the annual turnaround of our customers in August & September.

Administrative costs of £6.5 million have reduced as a percentage of revenue from 17.7 per cent to 15.7 per cent, comfortably within full year guidance of £14.0 million.

Ongoing inflationary concerns and its impact on interest rates has driven the Group’s weighted average cost of debt to 4.3 per cent from 4.0 per cent at 31 December 2022. Overall finance costs of £9.0 million are £2.1 million higher than the first half of 2022, £0.8 million higher than the second half of 2022.

IFRS profit for the first half was £24.6 million, whilst EPRA earnings, our measure of recurring earnings, were £14.1 million or 2.3 pence per share, an increase of 15.0 per cent on the first half of 2022.

Largely in contrast to the wider real estate sector, the portfolio increased in value by £10.3 million, one per cent, on a like-for-like basis.

Total accounting return, which includes dividends paid and growth in EPRA Net Tangible Asset value was 3.3 per cent, down from 10.9 per cent at 30 June 2022, due primarily to more modest valuation growth.

Income statement

	Core portfolio £m	Non-core (bucket D) £m	**30 June 2023 £m**	30 June 2022 £m
Revenue	38.3	3.0	**41.3**	35.6
Property expenses	(10.3)	(1.4)	**(11.7)**	(10.6)
Gross profit	28.0	1.6	**29.6**	25.0
Gross margin	73%	53%	**72%**	70%
Administrative expenses			**(6.5)**	(6.3)
Operating profit			**23.1**	18.7
Net finance costs			**(9.0)**	(6.9)
EPRA earnings			**14.1**	11.8
Revaluation			**10.3**	58.6
Loss on disposals			**(0.6)**	(0.1)
Gain on derivatives			**0.8**	-
IFRS Profit			**24.6**	70.3
Weighted average ordinary shares (m)			**603.3**	603.2
IFRS EPS (pence)			**4.1**	11.7
EPRA EPS (pence)			**2.3**	2.0

Revenue for the half year increased to £41.3 million. With occupancy for the current sitting academic year at 99 per cent, this is the first fully normalised period post-pandemic. Occupancy for the six months to 30 June 2022 was 86 per cent.

Gross profit increased from £25.0 million to £29.6 million representing a gross margin increase of 2 per cent to 72 per cent. This is largely the result of the Group's capital recycling programme which targets the disposal of properties in secondary or non-core locations where the benefit of clustering cannot be fully achieved, and redeployment of the proceeds into acquisitions, development or refurbishment of properties in core clustered locations that demonstrate strong demand supply fundamentals.

Administrative costs of £6.5 million have remained under pressure from inflation. With the operational transformation of the business largely complete and a 3 per cent increase in overhead costs relative to the first half of 2022, we expect the increase this year to be modest.

In aggregate disposals generated £34.6 million, £0.1 million above their aggregate 31 December 2022 valuation, however after sales costs a loss of £0.6 million was recorded.

An interest rate cap pertaining to £67.4 million of floating rate debt was entered into in February this year. Due to rising interest rates a mark to market gain of £0.8 million has been recorded.

Balance sheet

	30 June 2023 £m	31 December 2022 £m
Property (market value)	**1,064.0**	1,078.9
Cash on hand	**40.6**	55.8
Bank borrowings drawn	**(367.3)**	(391.2)
Other net liabilities	**(21.7)**	(42.7)
Net assets	**715.6**	700.8
Diluted number of shares	**609.0**	607.2
EPRA NTA per share (pence)	**117.3**	115.4
Property LTV	**30.3%**	31.1%
EPRA LTV	**32.4%**	32.7%

Net asset value has increased by £14.8 million, or 2.1 per cent since 31 December 2022, primarily due to a revaluation uplift of £10.3 million.

Evolution of net asset value	**£m**
31 December 2022	**700.8**
EPRA earnings	14.1
Like-for-like revaluation	10.3
Dividends	(10.2)
Other	0.6
30 June 2023	**715.6**

Portfolio valuation

	30 June 2023 £m	31 December 2022 £m	Gain[1] £m	Change %
Like-for-like property portfolio	**1,060.8**	1,041.2	10.3	1.0
Disposals	**-**	34.5	-	-
Developments	**3.2**	3.2	-	-
Portfolio valuation	**1,064.0**	1,078.9	10.3	

[1] net of capital expenditure and head lease amortisation

There was a marginal upward like-for-like valuation movement of £10.3 million, or one per cent during the first half of the year. This is as a result of rental growth achieved for the forthcoming 2023/24 academic year, offset by a ten basis point increase in the portfolio's net initial yield to 5.3 per cent. The increase in net initial yield is largely the result of yield softening in secondary locations. The portfolio reversionary yield remains unchanged at 5.5 per cent.

The disposal programme for non-core assets has continued, with four assets disposed of during the first half of the year generating gross proceeds of £34.6 million. Subsequent to 30 June 2023, contracts have exchanged for the sale of two further properties, collectively generating a further £8.8 million. Both properties were held as available for sale.

Capital expenditure of £9.6 million was invested during the first half of the year.

Debt

Bank borrowings drawn at 30 June 2023 was £367.3 million, of which 74 per cent is held at fixed rates. Fixed rate debt carries a weighted average cost of debt of 3.4 per cent and an unexpired term of 5.3 years. Floating rate debt of £96.4 million carries a weighted average cost of debt of 6.8 per cent and unexpired term of 1.9 years. An interest rate cap is in place over £67.4 million of floating rate debt, meaning interest rate protection extends to 88 per cent of total drawn debt.

Overall, the weighted average cost of debt at 30 June 2023 was 4.3 per cent with a weighted average unexpired term of 4.4 years.

£1.5 million of annualised interest expense has been saved by prepayment of £23.9 million of borrowings, through efficient use of cash from disposals, and cancellation of £22.6 million of surplus facility headroom. The prepaid debt is likely to be redeployed once suitable assets are identified, and the pipeline remains healthy.

The group remains fully compliant with loan covenants.

Property loan to value was 30.3 per cent at 30 June 2023, below our longer term target of 35 per cent, primarily due to valuation gains and disposal activity. Cash reserves at 30 June 2023 totalled £40.6 million, with a further £35.0 million available from undrawn committed facilities.

The Group has no refinancing risk in 2023, with £57.7 million maturing in 2024. Discussions with new and existing lenders have continued during the first half of the year with terms now agreed to refinance all floating rate facilities maturing in 2024 and 2025.

Cashflow

	30 June 2023 £m	**31 December 2022** £m
Operating cash flow	**3.1**	43.6
Property acquisitions and capital expenditure	**(10.1)**	(49.1)
Property disposals	**33.9**	39.7
Net cash flows from investing activities	**23.8**	(9.4)
Dividends paid	**(10.2)**	(16.7)
Net borrowings (repaid)/drawn	**(23.9)**	14.6
Finance related costs	**(8.0)**	(13.4)
Financing cash flows	**(42.1)**	(15.5)
Net cash flow	**(15.2)**	18.7

Operational cashflows are typically light in the first half of the financial year, due to the seasonality of cashflows being linked to academic years. The majority of rents are ordinarily received in August & December.

Strategic capital recycling has continued with proceeds from the disposal of non-core assets directed into refurbishment, fire safety works and prepayment of floating rate debt facilities.

Cash paid in relation to dividends includes the payment of dividends relating to the fourth quarter of 2022 and the first quarter of 2023.

Borrowings repaid amounted to £23.9 million. Of this, £17.6 million was prepaid against the Group's revolving credit facility.

Finance related costs have continued to increase linked to the cost of borrowing associated with the Group's floating rate debt facilities.

Going concern

The Board continues to place particular focus on the appropriateness of adopting the going concern assumption when preparing the Group's consolidated financial statements.

At 30 June 2023, the Group had £75.6 million in cash and undrawn committed facilities. Within the going concern period to 31 December 2024, the Group has debt maturities totalling £57.7 million for which refinancing discussions are in an advanced stage and are expected to be secured during the second half of the year, which if concluded will remove refinancing risk until 2028 and extend the groups weighted average debt maturity to around six years.

In light of the Group's liquidity position, its modest level of gearing and capital commitments, the Directors have concluded that, in reasonably possible adverse scenarios, adequate resources and mitigants remain available to continue to operate for the period to 31 December 2024. The Directors therefore concluded that it remains appropriate to adopt the going concern basis of preparation when compiling the interim report and accounts for the six months ended 30 June 2023.

Attention is drawn to note 1.3 of the condensed consolidated interim financial statements for further details surrounding the conclusion reached.

Dividends

An interim dividend of 0.8125 pence per share has been declared for the second quarter of 2023, bringing total dividends paid and payable in respect of the first half of 2023 to 1.625 pence per share. This is in line with our full year target dividend of 3.25 pence per share announced alongside our full year results in March 2023.

The dividend will be paid as a Property Income Distribution on 22 September 2023 to shareholders on the register at 8 September 2023.

Outlook

Having effectively filled our rooms for the forthcoming academic year and delivered strong like-for-like rental growth, we remain confident in the outlook for the business and the wider purpose built student accommodation sector throughout the remainder of 2023 and beyond.

Although inflation has remained higher for longer than most expected, our 100 per cent direct-let model coupled with dynamic pricing capability provides optimism in our ability to capture inflation and grow like-for-like revenues to keep pace with rising costs.

Our focus remains on completing the non-core disposal programme, progressing capex plans and accelerating the roll out of our Post-Grad by Hello Student brand, whilst always continuing to provide great service and value for our customers.

With energy hedging in place until the end of 2024, we are selectively securing energy price fixing beyond 2024, as opportunities arise.

Terms have been agreed for the refinancing of all 2024 & 2025 debt expiries. Given the facilities being refinanced are floating rate facilities, and over 70 per cent of the Group's drawn debt is longer term fixed rate debt, the impact on weighted average cost of debt is expected to be limited. Once concluded, this would extend the average unexpired term to around six years.

The Board remains comfortable with all earlier guidance, including dividend guidance. The Company continues to expect to pay a minimum dividend of 3.25 pence per share for 2023. This will be revisited in the fourth quarter, following the start of the 2023/24 academic year.

Principal Risks

Attention is drawn to the principal risks and uncertainties faced by the Group which are set out in full on pages 30 to 33 of the Annual Report & Accounts 2022.

An interim review of the risk environment has been completed, and the Board has concluded that there has been no significant change in the Group's principal risks or uncertainties.

The overall risk profile has however shifted with certain principal risks reducing, and others increasing in probably and or impact.

Where a change in probability or impact was evident, these changes have been set out below.

Risk	Interim assessment
Revenue risk	Reduced. Occupancy levels and revenue growth have remained strong for academic year 2023/24 with demand for student accommodation out-stripping supply in a number of the cities the Group operates within.
Inflation risk	Increased. Inflation has remained higher for longer than originally anticipated. Following a rapid increase in interest rates, there are early signs of improvement.
Safe and sustainable buildings risk	Increased. Demand for specialist contractors coupled with cost inflation has materially impacted the forecast cost of remedial fire safety works.

Statement of Directors' responsibilities

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 UK adopted International Accounting Standard 34 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 and any material changes in the related-party transactions described in the last annual report.

The Directors of Empiric Student Property plc are listed in the Empiric Student Property plc Annual Report for the year ended 31 December 2022. A list of current Directors is also maintained on the Empiric Student Property plc website: www.empiric.co.uk

By order of the Board

Donald Grant
Director
16 August 2023

Independent Review Report to Empiric Student Property PLC

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 2023 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

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 2023 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.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("ISRE (UK) 2410"). 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.

As disclosed in note 1.2, the annual financial statements of the Group are prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410, however future events or conditions may cause the Group to cease to continue as a going concern.

Responsibilities of 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.

In preparing the half-yearly financial report, the directors are responsible for assessing the 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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statement in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of 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

16 August 2023

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

Condensed Consolidated Statement of Comprehensive Income (unaudited)

	Notes	Six months to 30 June 2023 (Unaudited) £ m	Six months to 30 June 2022 (Unaudited) £ m	Full year to 31 December 2022 (Audited) £ m
Continuing operations				
Revenue		**41.3**	35.6	73.0
Property expenses		**(11.7)**	(10.6)	(24.0)
Gross profit		**29.6**	**25.0**	**49.0**
Administrative expenses		**(6.5)**	(6.3)	(13.4)
Change in fair value of investment property	7	**10.3**	58.6	45.6
Operating profit		**33.4**	**77.3**	**81.2**
Finance costs	2	**(9.0)**	(6.9)	(15.0)
Derivative fair value movement		**0.8**	–	–
(Loss)/gain on disposal of investment property		**(0.6)**	(0.1)	1.5
Profit before tax		**24.6**	**70.3**	**67.7**
Corporation tax	3	**–**	–	–
Profit for the period and total comprehensive income		**24.6**	**70.3**	**67.7**
Earnings per share expressed as pence per share				
Basic	4	**4.1**	11.7	11.2
Diluted	4	**4.0**	11.6	11.1

Condensed Consolidated Statement of Financial Position (unaudited)

	Notes	**30 June 2023 (Unaudited) £ m**	**30 June 2022 (Unaudited)** £ m	**31 December 2022 (Audited)** £ m
Non-current assets				
Investment property - Operational Assets	7	**1,022.7**	1,037.3	1,062.4
Investment property - Development Assets	7	**3.3**	50.4	3.3
Property, plant and equipment		**0.9**	1.0	1.1
Intangible assets		**2.7**	1.4	1.9
Right of use asset		**1.3**	1.5	1.3
Derivative fair value		**1.1**	–	–
		1,032.0	**1,091.6**	**1070.0**
Current assets				
Trade and other receivables		**2.6**	5.0	7.0
Assets classified as held for sale	8	**38.3**	–	13.7
Cash and cash equivalents		**40.6**	51.1	55.8
		81.5	**56.1**	**76.5**
Total assets		**1,113.5**	**1,147.7**	**1,146.5**
Current liabilities				
Trade and other payables		**21.8**	19.4	24.8
Borrowings	9	**13.7**	20.0	–
Lease liability		**0.1**	0.1	0.1
Deferred rental income		**11.8**	13.7	33.1
		47.4	**53.2**	**58.0**
Non-current liabilities				
Borrowings	9	**349.4**	382.4	386.5
Lease liability		**1.1**	1.4	1.2
		350.5	**383.8**	**387.7**
Total liabilities		**397.9**	**437.0**	**445.7**
Net assets		**715.6**	**710.7**	**700.8**
Called-up share capital		**6.0**	6.0	6.0
Share premium		**0.3**	0.3	0.3
Capital reduction reserve		**434.7**	452.4	444.7
Retained earnings		**274.6**	252.0	249.8
Total equity		**715.6**	**710.7**	**700.8**
NAV per share basic (pence)	5	**118.6**	117.8	116.1
NAV per share diluted (pence)	5	**117.5**	117.8	115.4
EPRA NTA per share (pence)	5	**117.3**	117.8	115.4

Condensed Consolidated Statement of Changes in Equity (unaudited)

Six months ended 30 June 2023 (unaudited)

	Called up share capital	Share premium	Capital reduction reserve	Retained earnings	Total equity
	£ m	£ m	£ m	£ m	£ m
Balance at 1 January 2023	**6.0**	**0.3**	**444.7**	**249.8**	**700.8**
Profit for the period	–	–	–	24.6	**24.6**
Total comprehensive income for the period	–	–	–	**24.6**	**24.6**
Share-based payment	–	–	–	0.4	0.4
Reserves transfer	–	–	0.2	(0.2)	–
Dividends	–	–	(10.2)	–	(10.2)
Amounts recognised directly in equity	**–**	**–**	**(10.0)**	**0.2**	**(9.8)**
Balance at 30 June 2023	**6.0**	**0.3**	**434.7**	**274.6**	**715.6**

Six months ended 30 June 2022 (unaudited)

	Called up share capital	Share premium	Capital reduction reserve	Retained earnings	Total equity
	£ m	£ m	£ m	£ m	£ m
Balance at 1 January 2022	**6.0**	**0.3**	**460.0**	**181.3**	**647.6**
Profit for the period	–	–	–	70.3	70.3
Total comprehensive income for the period	**–**	**–**	**–**	**70.3**	**70.3**
Share-based payment	–	–	–	0.4	0.4
Share options exercised	–	–	(7.6)	–	(7.6)
Amounts recognised directly in equity	**–**	**–**	**(7.6)**	**0.4**	**(7.2)**
Balance at 30 June 2022	**6.0**	**0.3**	**452.4**	**252.0**	**710.7**

Full year ended 31 December 2022 (audited)

	Called up share capital £ m	Share premium £ m	Capital reduction reserve £ m	Retained earnings £ m	Total equity £ m
Balance at 1 January 2022	**6.0**	**0.3**	**459.9**	**181.4**	**647.6**
Profit for the year	–	–	–	67.7	67.7
Total comprehensive income for the period	**–**	**–**	**–**	**67.7**	**67.7**
Share-based payment	–	–	–	0.7	0.7
Dividends	–	–	(15.2)	–	(15.2)
Amounts recognised directly in equity	**–**	**–**	**(15.2)**	**0.7**	**(14.5)**
Balance at 31 December 2022	**6.0**	**0.3**	**444.7**	**249.8**	**700.8**

Condensed Consolidated Statement of Cash Flows (unaudited)

	Six months to 30 June 2023 (Unaudited) £ m	Six months to 30 June 2022 (Unaudited) £ m	Full year to 31 December 2022 (Audited) £ m
Cash flows from operating activities			
Profit before income tax	**24.6**	70.3	67.7
Share-based payments	**0.4**	0.4	0.7
Depreciation charge	**0.4**	0.4	0.6
Finance costs	**9.0**	6.9	15.0
Loss/(gain) on disposal of investment property	**0.6**	0.1	(1.5)
Derivative fair value movement	**(0.8)**	–	–
Change in fair value of investment property	**(10.3)**	(58.6)	(45.6)
	23.9	**19.5**	**36.9**
Decrease in trade and other receivables	**3.1**	2.8	0.2
(Decrease)/increase in trade and other payables	**(2.6)**	(1.1)	3.3
(Decrease)/increase in deferred rental income	**(21.3)**	(16.2)	3.2
	(20.8)	**(14.5)**	**6.7**
Net cash flows generated from operations	**3.1**	**5.0**	**43.6**
Cash flows from investing activities			
Purchase of tangible fixed assets	**(0.1)**	(0.7)	(1.0)
Purchase of intangible assets	**(0.9)**	(0.2)	(0.9)
Purchase and development of investment property	**(9.1)**	(34.1)	(47.2)
Proceeds on disposal of asset held for sale, net of selling costs	**13.6**	–	26.7
Proceeds on disposal of investment property, net of selling costs	**20.3**	25.7	13.0
Net cash flows from investing activities	**23.8**	**(9.3)**	**(9.4)**
Cash flows from financing activities			
Dividends paid	**(10.2)**	(7.2)	(16.7)
Bank borrowings drawn	**–**	32.8	36.2
Repayment of bank borrowings	**(23.9)**	–	(20.0)
Loan arrangement fee paid	**–**	(1.7)	(1.6)
Derivative premium	**(0.3)**	–	–
Finance costs	**(7.6)**	(5.5)	(13.3)
Lease liability repaid	**(0.1)**	(0.1)	(0.1)
Net cash from financing activities	**(42.1)**	**18.3**	**(15.5)**
(Decrease)/increase in cash and cash equivalents	**(15.2)**	**14.0**	**18.7**
Cash and cash equivalents at beginning of period	**55.8**	**37.1**	**37.1**
Cash and cash equivalents at end of period	**40.6**	**51.1**	**55.8**

Unaudited notes to the Financial Statements

1. Accounting Policies

1.1 Period of Account

The reporting period of the unaudited condensed consolidated interim financial statements of the Group is the six month period from 1 January 2023 to 30 June 2023.

1.2 Basis of Preparation

This unaudited condensed consolidated interim financial report for the six month reporting period ended 30 June 2023 ("Interim Report") has been prepared in accordance with the UK adopted International Accounting Standard 34, "Interim Financial Reporting" and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The Interim Report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this Report is to be read in conjunction with the Annual Report for the year ended 31 December 2022, which has been prepared in accordance with the UK-adopted international accounting standards.

This Interim Report does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2022 were approved by the Board of Directors on 16 March 2023 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

These financial statements have been reviewed, not audited.

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 Interim Report is 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 2022 and are expected to be consistently applied during the year ending 31 December 2023.

1.3 Going concern

At 30 June 2023, the Group's cash and undrawn committed facilities were £75.6 million and its capital commitments were £11.0 million.

Occupancy is a key driver of profitability and cash flows, and at 16 August 2023, based on forward reservations for the upcoming 2023/24 academic year, 98 per cent had been secured which compares favourably to 92 per cent for the 2022/23 academic year as at 11 August 2022.

At the year-end three facilities fell due for repayment during the going concern period:

- £13.7 million with Canada Life due to expire in March 2024
- £32.8 million with Allied Irish Bank due to expire in October 2024
- £11.2 million with NatWest due to expire in December 2024.

Lender appetite for the sector remains strong and good relationships are maintained with all lenders. Refinancing discussions are at an advanced stage and are expected to be secured prior to the above maturity dates in all cases, which if concluded will remove refinancing risk until 2028.

In February 2023, an interest rate cap was put in place in respect to a £67.4 million facility held with Lloyds which capping SONIA at five per cent. At the time of approval of this Interim Report, the Group had £44.0 million of debt without interest rate protection.

As part of the Group's going concern review, certain scenarios are considered to model the impact on available liquidity. All of the Group’s covenants are currently compliant and we envisage compliance to continue to be achieved in a reasonably severe downside scenario, or that sufficient mitigants are available where there is a risk to covenant headroom. The Group's portfolio could currently withstand a 24 per cent decline in property valuations before a breach in loan to value covenants is triggered.

The Group's average interest cover covenant across all facilities is 2.0 times, whereas gross profit is currently in excess of three times total finance costs, providing a good degree of comfort.

Bank borrowings would be renegotiated in advance of any potential covenant breaches, insofar as factors are within the control of the Group. Facility agreements typically contain cure provisions providing for prepayment, cash deposits or security enhancement as may be required to mitigate any potential breach. The Group's borrowings are spread across a range of lenders and maturities so as to minimise any potential concentration of risk.

The Directors have reassessed the Group's principal risks and severe but plausible downside scenarios in assessing the Group's and Company's going concern for the period to 31 December 2024. The Directors have considered, in particular:

- a reduction in revenue, both in terms of occupancy and growth rate;
- inflation remains high, at eight per cent;
- utilities costs increase by 2.5 times current market expectation;
- interest rates increase by 2.0 per cent over current forecasts, impacting the Group's floating rate debt;
- an immediate valuation shock of minus 15 per cent in property valuations; and
- rates at which the expiring debt facilities totalling £57.7 million in the period, could be refinanced. These were assumed to be refinanced at rates provided in indicative terms agreed with potential new lenders.

In addition, the Directors considered potential mitigants to the downside scenario which include, but are not limited to, utilising existing liquidity reserves, further asset disposals, pledging as security ungeared properties and suspending non committed capital expenditure.

Having made enquiries, the Directors have reasonable expectation that the Group has adequate resources to continue in operational existence for the period to 31 December 2024. In addition, having reassessed the principal risks, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the Interim Report.

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.

Estimates

In the process of applying the Group’s accounting policies, management has made the following estimates, which have the most significant effect on the amounts recognised in the Interim Report:

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 – Global Standards (incorporating the International Valuation Standards) and the UK national supplement (the “Red Book”). Factors reflected include current market conditions, net underlying operational income, periodic 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 7.

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

Judgements

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

Operating lease contracts - the Group as lessor

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

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

Nominations and commercial leases: The Group has determined, based on an evaluation of the terms and conditions of the arrangements, particularly the lease terms, insurance requirements and minimum lease payments, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the leases as operating leases.

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. The Group targets 51-week tenancies, with a one-week void period falling in late August or early 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 and refurbishment cycle as construction is timed to complete ready for the start of the academic year in September. These new properties or rooms becoming available increases revenue in the second half of the 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 accommodation, within the United Kingdom.

2. Finance Costs

	Six months to 30 June 2023 (unaudited)	**Six months to 30 June 2022 (unaudited)**	**Full year to 31 December 2022 (audited)**
	£ m	£ m	£ m
Finance costs			
Interest expense on bank borrowings	**8.5**	6.5	14.0
Amortisation of loan transaction costs	**0.5**	0.4	1.0
	9.0	**6.9**	**15.0**

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 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 represents 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.

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.

The calculation of each of the measures is set out below:

Six months to 30 June 2023 (unaudited)	**Calculation of basic EPS** £ m	**Calculation of diluted EPS** £ m	**Calculation of EPRA basic EPS** £ m	**Calculation of EPRA diluted EPS** £ m
Earnings	24.6	24.6	24.6	24.6
Changes in fair value of investment property (Note 7)	–	–	(10.3)	(10.3)
Derivative fair value movement	–	–	(0.8)	(0.8)
Loss on disposal of investment property	–	–	0.6	0.6
Earnings/adjusted earnings (£ m)	**24.6**	**24.6**	**14.1**	**14.1**
Weighted average number of shares (m)	603.3	603.3	603.3	603.3
Adjustment for employee share options (m)	–	5.6	–	5.6
Total number of shares (m)	**603.3**	**608.9**	**603.3**	**608.9**
Per-share amount (pence)	**4.1**	**4.0**	**2.3**	**2.3**

Six months to 30 June 2022 (unaudited)	**Calculation of basic EPS** £ m	**Calculation of diluted EPS** £ m	**Calculation of EPRA basic EPS** £ m	**Calculation of EPRA diluted EPS** £ m
Earnings	70.3	70.3	70.3	70.3
Changes in fair value of investment property (Note 7)	–	–	(58.6)	(58.6)
Loss on disposal of investment property	–	–	0.2	0.2
Earnings/adjusted earnings (£ m)	**70.3**	**70.3**	**11.9**	**11.9**
Weighted average number of shares (m)	603.2	603.2	603.2	603.2
Adjustment for employee share options (m)	–	0.4	–	0.4
Total number of shares (m)	**603.2**	**603.6**	**603.2**	**603.6**
Per-share amount (pence)	**11.7**	**11.6**	**2.0**	**2.0**
Full year to 31 December 2022 (audited)				
Earnings	67.7	67.7	67.7	67.7
Changes in fair value of investment properties (Note 7)	–	–	(45.6)	(45.6)
Gain on disposal of investment property	–	–	(1.5)	(1.5)
Earnings/adjusted earnings	**67.7**	**67.7**	**20.6**	**20.6**
Weighted average number of shares (m)	603.3	603.3	603.3	603.3
Adjustment for employee share options (m)	–	3.9	–	3.9
Total number of shares (m)	**603.3**	**607.2**	**603.3**	**607.2**
Per-share amount (pence)	**11.2**	**11.1**	**3.4**	**3.4**

5. NAV Per Share

The principles of the three measures per EPRA are below:

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

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

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

The Group considers EPRA Net Tangible Assets to be the most relevant measure of the NAV measures and we expect this to be our primary NAV measure going forward.

A reconciliation of the three EPRA NAV metrics from IFRS NAV is shown in the table below.

	NAV	**EPRA NAV measures**		
	IFRS	**EPRA NRV**	**EPRA NTA**	**EPRA NDV**
Six months to 30 June 2023 (unaudited)	£ m	£ m	£ m	£ m
Net assets per Statement of Financial Position	715.6	715.6	715.6	715.6
Adjustments				
Fair value of fixed rate debt	–	–	–	17.4
Derivative fair value			(1.1)	
Purchaser's costs[1]	–	35.7	–	–
Net assets used in per share calculation	**715.6**	**751.3**	**714.5**	**733.0**
Number of shares in issue				
Issued share capital (m)	603.3	603.3	603.3	603.3
Issued share capital plus employee options (m)	608.9	608.9	608.9	608.9
Net asset value per share (pence)				
Basic Net Asset Value per share (pence)	**118.6**			
Diluted Net Asset Value per share (pence)	**117.5**	**123.4**	**117.3**	**120.4**

	NAV	EPRA NAV measures		
	IFRS	EPRA NRV	EPRA NTA	EPRA NDV
Six months to 30 June 2022 (unaudited)	£ m	£ m	£ m	£ m
Net assets per Statement of Financial Position	710.7	710.7	710.7	710.7
Adjustments				
Fair value of fixed rate debt	–	–	–	4.6
Purchaser's costs[1]	–	38.4	–	–
Net assets used in per share calculation	**710.7**	**749.1**	**710.7**	**715.3**
Number of shares in issue				
Issued share capital (m)	603.2	603.2	603.2	603.2
Issued share capital plus employee options (m)	603.5	603.5	603.5	603.5
Net asset value per share				
Basic Net Asset Value per share (pence)	**117.8**			
Diluted Net Asset Value per share (pence)	**117.8**	**124.2**	**117.8**	**118.6**

	NAV	EPRA NAV measures		
	IFRS	EPRA NRV	EPRA NTA	EPRA NDV
Year ended 31 December 2022 (audited)	£ m	£ m	£ m	£ m
Net assets per Statement of Financial Position	700.8	700.8	700.8	700.8
Adjustments				
Fair value of fixed rate debt	–	–	–	15.3
Purchaser's costs[1]	–	38.5	–	–
Net assets used in per share calculation	**700.8**	**739.3**	**700.8**	**716.1**
Number of shares in issue				
Issued share capital (m)	603.4	603.4	603.4	603.4
Issued share capital plus employee options (m)	607.2	607.2	607.2	607.2
Net asset value per share	**£**	**£**	**£**	**£**
Basic Net Asset Value per share (pence)	116.1			
Diluted Net Asset Value per share (pence)	115.4	121.8	115.4	117.9

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

6. Dividends Paid

	Six months to 30 June 2023 (unaudited)	Six months to 30 June 2022 (unaudited)	Full year to 31 December 2022 (audited)
	£ m	£ m	£ m
Interim dividend of 0.625 pence per ordinary share in respect of the quarter ended 31 December 2021	**-**	-	3.8
Interim dividend of 0.625 pence per ordinary share in respect of the quarter ended 31 March 2022	**-**	-	3.8
Interim dividend of 0.625 pence per ordinary share in respect of the quarter ended 30 June 2022	**-**	-	3.8
Interim dividend of 0.625 pence per ordinary share in respect of the quarter ended 30 September 2022	**-**	-	3.8
Interim dividend of 0.625 pence per ordinary share in respect of the quarter ended 31 December 2021	**-**	3.8	-
Interim dividend of 0.625 pence per ordinary share in respect of the quarter ended 31 March 2022	**-**	3.8	-
Interim dividend of 0.875 pence per ordinary share in respect of the quarter ended 31 December 2022	**5.3**	-	-
Interim dividend of 0.8125 pence per ordinary share in respect of the quarter ended 31 March 2023	**4.9**	-	-
	10.2	**7.6**	**15.2**

7. Investment Property

	Investment properties freehold	Investment properties long leasehold	Total operational assets	Properties under development	Total Investment property
	£ m	£ m	£ m	£ m	£ m
As at 1 January 2023	920.4	142.0	1,062.4	3.3	1,065.7
Property additions	8.2	0.9	9.1	–	9.1
Property disposals	(2.8	(18.0)	(20.8)	–	(20.8)
Change in fair value during the period	7.7	2.6	10.3	–	10.3
Transfer to held for sale	(38.3)	–	(38.3)	–	(38.3)
As at 30 June 2023 (unaudited)	**895.2**	**127.5**	**1,022.7**	**3.3**	**1,026.0**

As at 1 January 2022	835.5	131.7	967.2	28.7	995.9
Property additions	5.0	1.1	6.1	7.7	13.8
Property disposals	19.5	–	19.5	–	19.5
Change in fair value during the period	38.7	5.8	44.5	14.0	58.5
As at 30 June 2022 (unaudited)	**898.7**	**138.6**	**1,037.3**	**50.4**	**1,087.7**
As at 1 January 2022	835.5	131.7	967.2	28.7	995.9
Capital expenditure	12.9	2.3	15.2	15.2	30.4
Property acquisitions	19.3	–	19.3	–	19.3
Reclassification	(8.6)	8.6	–	–	–
Transfer of completed developments	52.9	–	52.9	(52.9)	–
Sale of investment property	(11.8)	–	(11.8)	–	(11.8)
Transfer to held for sale asset	(13.7)	–	(13.7)	–	(13.7)
Change in fair value during the year	33.9	(0.6)	33.3	12.3	45.6
As at 31 December 2022 (audited)	**920.4**	**142.0**	**1,062.4**	**3.3**	**1,065.7**

During the period £9.1 million (30 June 2022: £6.1 million) of additions related to capital expenditure were recognised in the carrying value of the operational portfolio.

In accordance with IAS 40, the carrying value of investment property is its fair value as determined by independent external valuers. This valuation has been conducted by CBRE Limited, as external valuer, and has been prepared as at 30 June 2023, 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 includes assumptions regarding income expectations and yields that investors would expect to achieve on those assets over time. Many external economic and market factors, such as interest rate expectations, bond yields, the availability and cost of finance and the relative attraction of property against other asset classes, could lead to a reappraisal of the assumptions used to arrive at current valuations. In adverse conditions, this reappraisal can lead to a reduction in property values and a loss in net asset value.

The table below reconciles between the fair value of the investment property 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.

	Six months to 30 June 2023 (unaudited)	**Six months to 30 June 2022 (unaudited)**	**Full year to 31 December 2022 (audited)**
	£ m	£ m	£ m
Value per independent valuation report	**1,064.0**	1,087.2	1,078.9
Plus: long leasehold liability	**0.3**	0.5	0.5
Deduct: Assets held for sale	**(38.3)**	–	(13.7)
Fair value per Group Statement of Financial Position	**1,026.0**	**1,087.7**	**1,065.7**

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 2023	30 June 2022	31 December 2022
£88-493 per week (weighted average rent of £211 per week)	£87-420 per week (weighted average rent of £188 per week)	£91–£461 per week (weighted average rent of £184 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 2023	30 June 2022	31 December 2022
5.39%	2.60%	5.22%

c) Unobservable input: Net initial yield

The net initial yield is defined as the initial net income as a percentage of the market value (or purchase price as appropriate) plus standard costs of purchase. The ranges in net initial yields are as follows:

30 June 2023	30 June 2022	31 December 2022
4.75%–8.90% (weighted average of 5.3%)	4.25%–8.15% (weighted average of 5.2%)	4.5%–8.65% (weighted average of 5.2%)

d) Unobservable input: Physical condition of the property

The Group has announced that it will invest £46 million on fire safety works over a five year period starting in 2021. CBREs assumption at 30 June 2023 is that £35.7 million of this cost should be reflected as a deduction within its valuation (31 December 2022: £29.8 million). This deduction is in respect of work on external wall systems and fire stopping on buildings over 18 metres tall as well as those for which the Group has a clear programme of works in plan. Management has performed a sensitivity analysis to assess the impact of a change in its estimate of total costs relating to the £35.7 million deduction. A 20% increase in the estimated remaining costs would reduce the change in fair value of investment property in the Statement of Comprehensive Income by £7.1 million and would reduce the Group's EPRA NTA by less than 0.1 pence on a per share basis. Whilst the investment is expected to be completed within the next two and a half years, there can be no certainty in respect of timing.

e) Unobservable input: Planning consent

The development site at FISC, Canterbury is pending Phase 2 planning consent. CBRE have determined the fair value as the sales price for a development in progress including a profit margin, discount and associated risk factors to complete the development.

f) Sensitivities of measurement of significant unobservable inputs

As set out in the significant accounting estimates and judgements, the Group's portfolio valuation is subject to judgement and is inherently subjective by nature. As a result, the following sensitivity analysis for the student properties has been prepared by the valuer. For the purposes of the sensitivity analysis, the Group considers its property portfolio to be one homogeneous group of properties.

	-3% change in rental income	**+3% change in rental income**	**-0.25% change in yield**	**+0.25% change in yield**
	£ m	£ m	£ m	£ m
(Decrease)/increase in the fair value of investment properties				
As at 30 June 2023	(44.3)	44.2	53.9	(49.1)
As at 30 June 2022	(42.8)	42.8	53.7	(48.6)
As at 31 December 2022	(43.3)	45.6	54.3	(47.2)

8. Assets classified as held for sale

A property ceases to be recognised as investment property and is transferred at its fair value to property held for sale when it meets the criteria of IFRS 5. Under IFRS 5 the asset must be available for immediate sale in its present condition subject only to the terms that are usual and customary for sales of such assets and its sale must be highly probable.

The criteria for a sale being highly probable per IFRS 5 are as follows:

- management is committed to a plan to sell;
- the asset is available for immediate sale;
- an active programme to locate a buyer has been initiated;
- the sale is highly probable (within twelve months of classification as held for sale unless circumstances are beyond the control of the Group); the asset is being actively marketed for sale at a sales price reasonable in relation to its fair value; and
- actions required to complete the plan indicate that it is unlikely that plan will be significantly changed or withdrawn

Management considers that four properties (December 2022: one property) meets the conditions relating to assets held for sale under IFRS 5: Non-current Assets Held for Sale. All non-current assets classified as held for sale fall within 'Level 3' as defined by IFRS. The total fair value of the four properties in this Interim Report is £38.3 million. There have been no transfers within the fair value hierarchy during the year.

	Investment properties freehold £ m
As at 1 January 2023	13.7
Property disposals	(13.7)
Transfer from investment property	38.3
As at 30 June 2023 (unaudited)	**38.3**

9. 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 £1,044.6 million at 30 June 2023. 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	**Bank borrowings undrawn**	**Total**
	£ m	£ m	£ m
At 1 January 2023 (audited)	**391.2**	**20.0**	**411.2**
Part cancellation of revolving credit facility	-	(22.6)	(22.6)
Facilities repaid in the period	(23.9)	17.6	(6.3)
Bank borrowings drawn in the period	–	–	–
Unsecured facility refinanced	-	20.0	20.0
At 30 June 2023 (unaudited)	**367.3**	**35.0**	**402.3**
At 1 January 2022 (audited)	**375.0**	**67.5**	**442.5**
Facilities repaid in the period	–	(10.5)	(10.5)
Bank borrowings drawn in the period	32.8	(32.8)	–
At 30 June 2022 (unaudited)	**407.8**	**24.2**	**432.0**
At 1 January 2022 (audited)	**375.0**	**67.5**	**442.5**
Bank borrowings drawn in the year	36.2	(36.2)	–
Bank borrowings repaid in the year	(20.0)	(11.3)	(31.3)
At 31 December 2022 (audited)	**391.2**	**20.0**	**411.2**

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:

	30 June 2023 (unaudited)	**30 June 2022 (unaudited)**	**31 December 2022 (audited)**
Current borrowings	**£ m**	£ m	£ m
Balance brought forward	**–**	45.0	45.0
Bank borrowings becoming current in the period	**13.7**	20.0	–
Less: Bank borrowings becoming non-current during the period	**–**	(45.0)	(45.0)
Bank borrowings: due in less than one year	**13.7**	20.0	**–**
Less: Unamortised costs	**–**	–	
Current liabilities: Bank borrowings	**13.7**	**20.0**	**–**

Non-current borrowings	30 June 2023 (unaudited) £ m	30 June 2022 (unaudited) £ m	31 December 2022 (audited) £ m
Balance brought forward	**391.2**	330.0	330.0
Total bank borrowings in the period	**–**	32.8	36.2
Bank borrowings becoming non-current during the period	**–**	45.0	45.0
Less: Bank borrowings becoming current during the period	**(13.7)**	(20.0)	–
Less: Bank borrowings repaid during the period	**(23.9)**	–	(20.0)
Bank borrowings: due in more than one year	**353.6**	387.8	391.2
Less: Unamortised costs	**(4.2)**	(5.4)	(4.7)
Non-current liabilities: bank borrowings	**349.4**	**382.4**	**386.5**

Maturity of bank borrowings	30 June 2023 (unaudited) £ m	30 June 2022 (unaudited) £ m	31 December 2022 (audited) £ m
Repayable in less than one year	**13.7**	20.0	–
Repayable between one and two years	**44.0**	52.8	64.0
Repayable between two and five years	**172.4**	77.8	70.0
Repayable in over five years	**137.2**	257.2	257.2
Bank borrowings	**367.3**	**407.8**	**391.2**

10. Contingent liabilities

There were no contingent liabilities at 30 June 2023 (31 December 2022: £nil).

11. Capital Commitments

As at 30 June 2023, the Group had total capital commitments of £11.0 million (31 December 2022: £2.3 million) for the future development and enhancement of investment property.

12. Related Party Disclosures

Key Management Personnel

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

Share Transactions

On 16 March 2023, Alice Avis, the Company’s Senior Independent and Non-Executive Director acquired 53,600 shares at 85.8 pence per share. The acquisition was made by Lawgate Properties Limited, an entity connected to Ms Avis.

Share-Based Payments

On 14 April 2023, the Company granted Duncan Garrood, Chief Executive Officer, nil-cost options over 125,483 ordinary shares in the Company ("ordinary shares") relating to the deferred shares element of the annual bonus award for the financial year to 31 December 2022.

Also on 14 April 2023, Duncan Garrood was granted nil-cost options over 722,233 ordinary shares, and Donald Grant, Chief Financial and Sustainability Officer, was granted nil-cost options over 510,848 ordinary shares pursuant to the Empiric Long Term Incentive Plan for the 2022 financial year.

13. Subsequent Events

On 5 July 2023, the Group exchanged contracts for the sale of its Grove Street Studios property, Liverpool for £1.8 million. Completion subsequently took place on 19 July 2023..

On 3 August 2023, the Group exchanged contracts for the sale of Grosvenor Apartments, London for £7.0 million. The sale is expected to complete during August 2023.

On 3 August 2023, the Company announced the admission of 85,803 new ordinary shares of 1 pence each to the premium listing segment of the Official List of the FCA and to trading on the London Stock Exchange. The shares were allotted to satisfy continuing obligations in respect of deferred share awards granted to the Company's former CEO, Tim Attlee.

Glossary

ANUK – Accreditation Network UK is a central resource for tenants, landlords and scheme operators interested in accreditation of private rented housing.

Basic EPS – The earnings attributed to ordinary shareholders divided by the weighted average number of ordinary shares outstanding during the period.

Company – Empiric Student Property plc.

Dividend cover – EPRA earnings divided by dividends paid and declared for the period.

Dividend payout ratio – The ratio of dividends paid and declared for the period relative to EPRA earnings for the same period.

EPRA – European Public Real Estate Association.

EPRA EPS – Earnings reported on the basis recommended for real estate companies using EPRA Best Practice Guidelines.

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

EPRA Net Reinvestment Value ("NRV") – Assumes that entities never sell assets and aims to represent the value required to rebuild the entity.

EPRA Net Tangible Assets ("NTA") – Assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax.

Gross margin – Gross profit expressed as a percentage of rental income.

Group – Empiric Student Property plc and its subsidiaries.

Hello Student – Our customer-facing brand and operating platform, through which we operate all our buildings.

HMO – Homes of multiple occupants.

IASB – International Accounting Standards Board.

IFRS – International Financial Reporting Standards.

Like-for-like rental growth – Compares the growth in rental income for operational assets throughout both the current and comparative period, excluding acquisitions, developments and disposals.

Like-for-like valuation – Compares the change in capital values of the Group's portfolio at the balance sheet dates, compared to the prior balance sheet date. The calculation excludes acquisitions, developments, disposals and adjusts for capital expenditure.

Net Asset Value or NAV – Net Asset Value is the net assets in the Statement of Financial Position attributable to ordinary equity holders.

PBSA – Purpose built student accommodation.

PID – Property income distribution.

Post-Grad – Post-graduate students who have successfully completed an undergraduate course and are undertaking further studies within higher education.

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

RCF – Revolving credit facility.

Re-booker Rate – A KPI and non-IFRS measure – Calculated as the percentage of students staying with us in the previous year who chose to stay living with us for another academic year.

REIT – Real estate investment trust.

Revenue Occupancy – A KPI and non-IFRS measure – Calculated as the percentage of our Gross Annualised Revenue we have achieved for an academic year.

RICS – Royal Institution of Chartered Surveyors.

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

Total Accounting Return – The growth in EPRA NTA over the period plus dividends paid in the period expressed as a percentage of opening EPRA NTA.

Weighted average cost of debt – The weighted rate of interest applied to all drawn debt balances at the balance sheet date.

Weighted average debt maturity – The weighted average term remaining until expiry of our drawn debt facilities at the balance sheet date.

Company Information and Corporate Advisers

Directors and Advisers

Directors
Mark Pain (Chairman)
Duncan Garrood (Chief Executive Officer)
Donald Grant (Chief Financial and Sustainability Officer)
Alice Avis (Non-Executive Director, Senior Independent Director)
Martin Ratchford (Non-Executive Director)
Clair Preston-Beer (Non-Executive Director)

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